



Driving the green transition through procurement



June 2024

CHAIRMAN'S MESSAGE

This publication is a continuation of the publication "Business and carbon neutrality: collective transformation", which showed that companies implement their climate strategy by mobilising their ecosystem, including their suppliers.

The supply chain in fact accounts for a significant share of the environmental footprint of some large companies, and big business is expected to act in this regard. This chain of players also has the innovative potential for improving corporate environmental performance, resilience and outcomes. Interestingly, while climate is the main driver of this transformation, other environmental concerns such as water and biodiversity are gradually receiving more attention.

Purchasing departments, at the interface between corporate needs and the ecosystem of suppliers, are becoming aware of their role in their companies' green transition as they develop tools and methods to grapple with this dimension.

The green transition is thus transforming procurement to include environmental performance criteria. This is reflected in the increasingly collaborative nature of procurement activities from exercise of influence over suppliers to in-house promotion of their initiatives and innovations. Not only can these actions significantly contribute to economic performance, but, given the increasingly complex nature of the tasks being performed, they can allow the procurement function to gradually embrace all environmental issues, well beyond emissions reduction.

It is essential for large corporates to support the ongoing progress of their suppliers, especially the smaller ones, since the strength of the French economy rests on the resilience of its SME sector in an environment where the interdependencies between economic sovereignty and green transition are becoming glaringly apparent.

This publication is also one of the first studies undertaken by the Business Lines Committees set up in 2022 to bring together professionals from different corporate functions. The wealth of examples provided highlights the need for members to discuss and share their best practices, and so enhance their operational performance. I would therefore particularly like to thank all contributors from EpE member companies.

Patrick Pouyanné

Chairman of Entreprises pour l'Environnement (EpE)
CEO TotalEnergies

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INTRODUCTION

Supply chains account for up to 90% of corporate environmental impacts

Developing a global environmental approach with ambitious decarbonisation targets is now a key component of corporate strategy. In 2021, the publication “Business and carbon neutrality: collective transformation”⁽¹⁾ had already identified companies engaged in transforming their strategy and organisation and acting with their ecosystem to meet the challenge of transition.

For the sake of simplicity and exemplarity, impact reductions resulting from environmental approaches first and foremost concern activities under the direct control of companies. In the case of greenhouse gas (GHG) emissions, this means scopes 1 and 2 emissions as defined by the GHG Protocol. While decarbonisation solutions may require yet more technological advances, businesses generally have the in-house knowledge and skills along with the decision-making ability to make the required ad hoc investments. The most widely used drivers in this case are energy efficiency and renewable energy procurement.

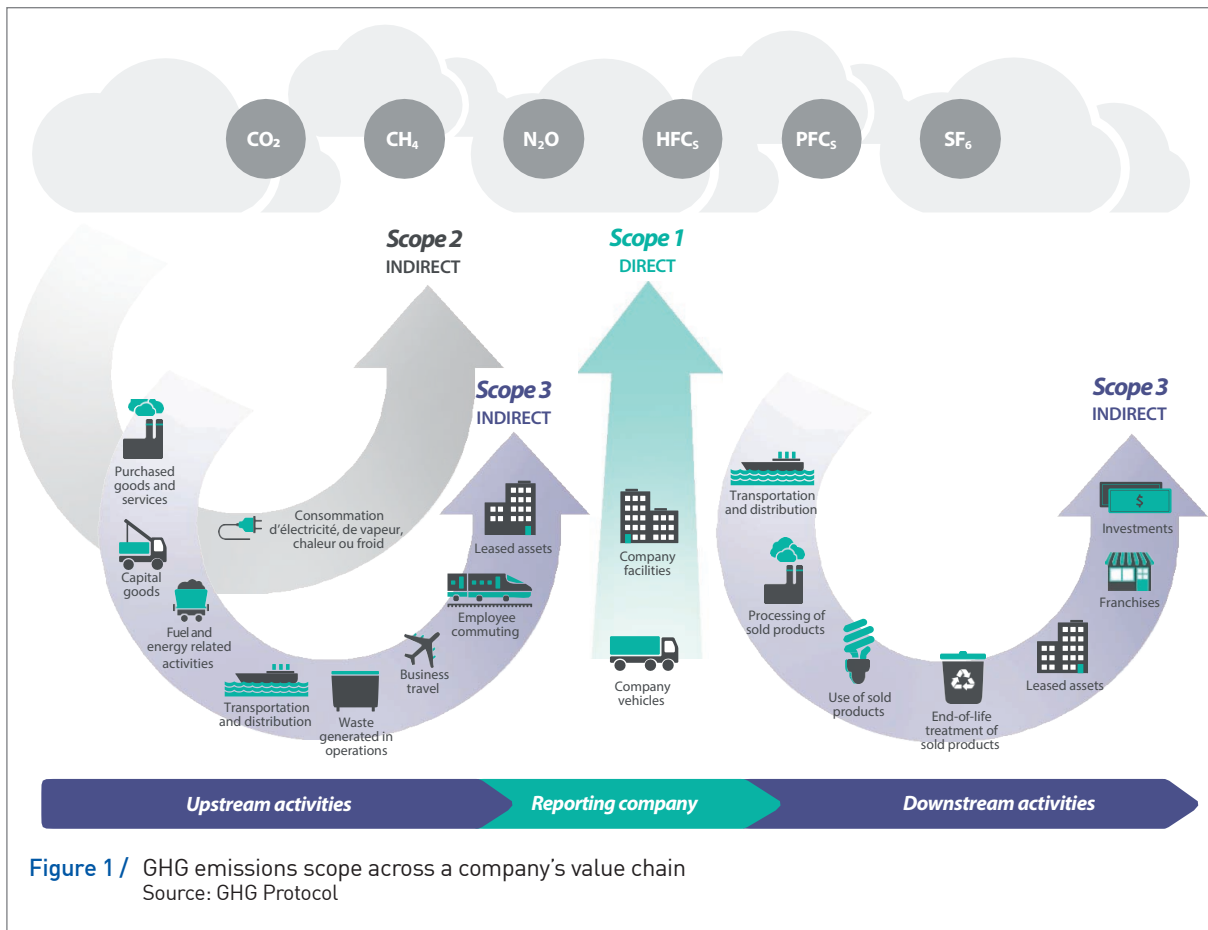
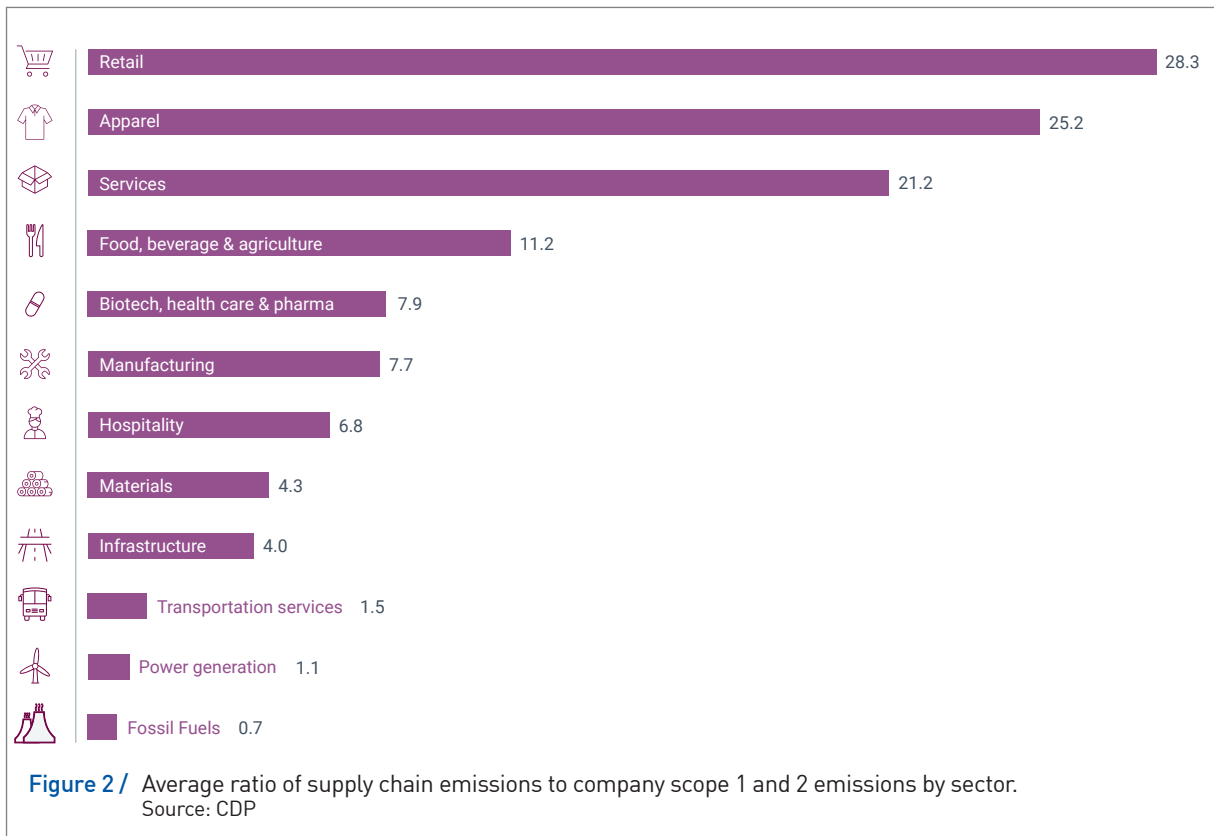


Figure 1 / GHG emissions scope across a company's value chain
Source: GHG Protocol

1 EpE (2022). Business and carbon neutrality: collective transformation.

However, a company’s environmental footprint does not stop at the door of its factories and offices. Scope 3, which represents emissions from the upstream and downstream value chain, is by far the main source of GHG emissions for most companies. Scope 3 upstream emissions, in particular, are drawing ever greater attention. CDP (formerly Carbon Disclosure Project) has measured that corporate supply chain emissions are on average 11.4 times higher than operational emissions (scopes 1 and 2)², and could account for up to 90% of a company’s carbon footprint. Any company seeking to implement a climate strategy must therefore address the footprint of its direct as well as indirect suppliers.



In addition to the climate footprint, issues related to biodiversity, water, resources, soil, and adaptation to climate change are increasingly being addressed. As with GHG emissions, the supply chain can account for up to 90% of a company’s water footprint³. This report describes a number of related corporate practices and focuses on climate issues as these are addressed more easily through relatively mature management and regulatory instruments. This, however, should not overshadow growing awareness of the importance of the other environmental issues and the steps to take them into account.

The inclusion of these issues in the overall corporate materiality analysis increasingly being called for by stakeholders has become a precondition for relevant environmental action. Accordingly, related risks are now also being scrutinised along companies’ upstream value chain.

2 CDP (2020). Transparency to transformation: a chain reaction - CDP Global Supply Chain Report 2020.

3 CDP (2023). Stewardship at the Source: Driving water action across supply chains – CDP Global Supply Chain report 2023.

Procurement is subject to growing regulatory pressure...

The current regulatory environment is forcing many corporates, especially large ones, to take into account the social and environmental risks related to their value chain. This is making suppliers an integral part of green transition risk assessment.

Firstly, French due diligence law requires large corporates to develop, disclose and implement appropriate measures to identify and prevent risks of serious violations of human rights and fundamental freedoms, or of serious harm to the health and safety of individuals or the environment. This law and the measures it inspires at European level and beyond encourages businesses to improve the environmental performance not only of their own operations but also those of their subsidiaries and other entities in their value chains with which they have direct or indirect business relationships.

Secondly, under the Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting standards (ESRS) require the companies concerned to analyse their value chain and identify their direct and indirect impacts on the environment and society, along with the sustainability risks and opportunities that could impact their value chain and them directly or indirectly⁴. This may, for example, involve understanding the climate risk exposure of suppliers to identify their own risks.

Lastly, the European market is being gradually subject to a Border Carbon Adjustment Mechanism (FACM). This measure, which will come into force from 2026, aims to apply an equivalent carbon price to European-manufactured products and imported products in order to avoid “carbon leakage” caused by relocating production to countries with lower environmental standards. Initially applicable to six pilot sectors (iron and steel, aluminium, cement, fertilizers, hydrogen, electricity), discussions are under way to widen its scope of application. Non-European high-emitting suppliers’ products could thus become more expensive

...but also offers transformation and resilience opportunities

Far from being a passive or change-resistant ecosystem, the supply chain can, if effectively managed, make a significant contribution to the green transition of a business. The procurement of more sustainable products and services improves the energy and operational performance of activities under the direct control of the purchaser.

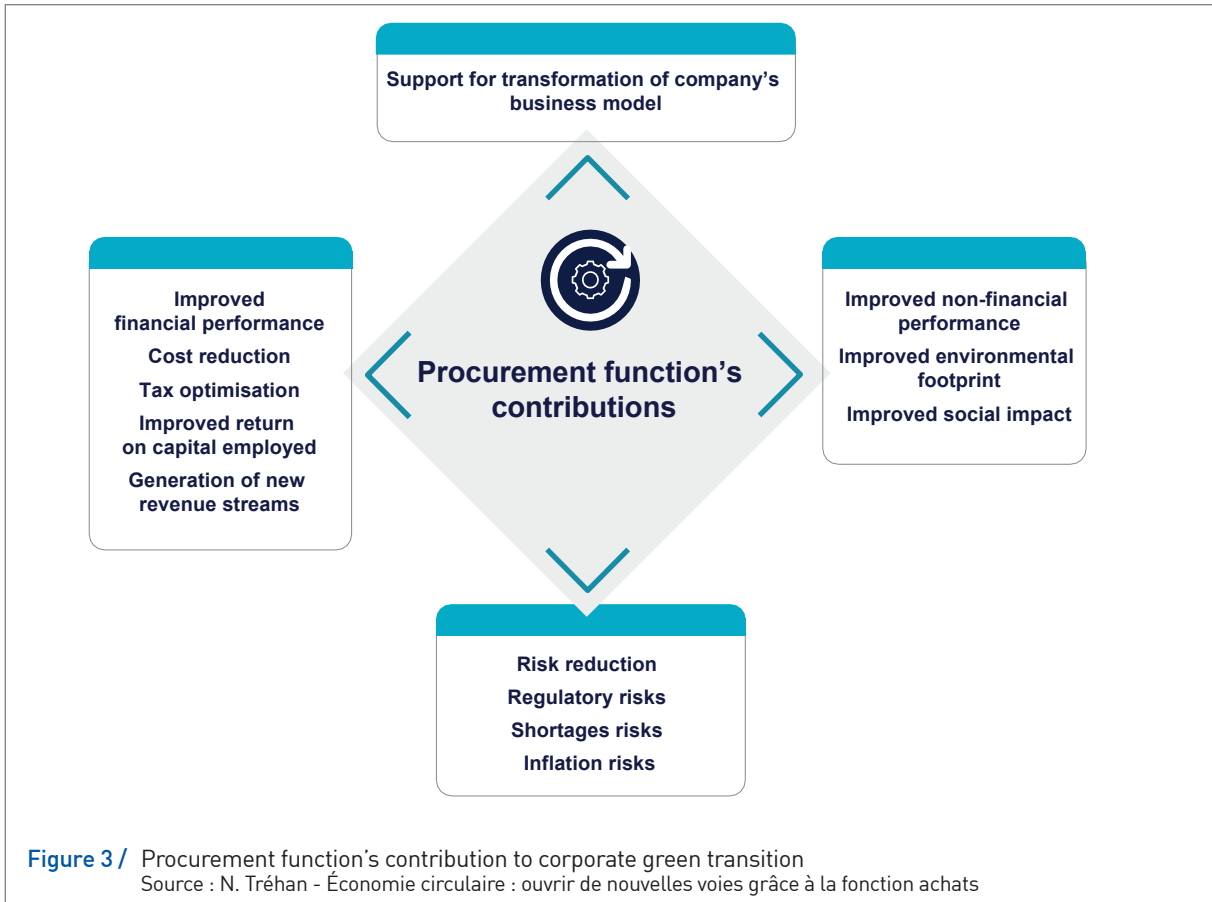
Furthermore, businesses are looking to meet emerging multiple market demand for:

- **circularity:** production of goods and services that reduce resource wastage, waste generation, and the need for more virgin natural resources;
- **sufficiency:** production of goods and services that closely match customer needs and so limit resource consumption;
- **climate change adaptation:** limiting supply disruption risks in the value chain resulting from the dramatic increase in climate hazards.

⁴ AMF (2024). CSRD sustainability reporting: preparing for new obligations.

The procurement function is key to implementing corporate green transition

Procurement's environmental performance, in addition to its direct impact on the corporate footprint, can enhance financial performance, risk management and business transformation.



While sustainable procurement actions initially focused on working conditions in the supply chain, the environmental impact of suppliers has become a key issue for purchasers. Organising the transformation of their upstream value chain raises multiple questions, both inside and outside the company. That is why more and more businesses are earmarking resources for managing those issues. The examples of experiments and innovations available point to an abundance of business initiatives and transformation pathways to meet this challenge.

This publication draws on feedback from the studies carried out by the EpE Procurement Committee, set up in 2022 under the co-chairmanship of Emmanuel Normant, Director of Sustainable Development, and Rafael Anchustegui, Chief Purchasing Officer at Saint-Gobain Group. It explores some of the current practices of large companies in environmentally sustainable procurement⁵⁾ and aims to encourage the development and deployment of virtuous practices. The contributions made by participants highlighted three core areas dealt with in separate chapters.

The first chapter explores changes in corporate internal organisation, primarily in Procurement but also in other functions. The second concerns ongoing environmental performance management in the procurement process and the contractual relationship with suppliers. The third chapter covers collaborative actions with the supplier ecosystem to facilitate and accelerate green transition.

⁵ In the remainder of this environment-focused publication, the terms "sustainable procurement" and "responsible procurement" are used interchangeably for the sake of simplicity.

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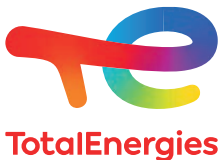
Transforming procurement in corporate internal organisation

Traditionally, procurement is a controlled process based on quality-cost-deadline criteria and involving several internal actors: buyers, specifiers, and financial officers. This function is grappling with the rise of Corporate Social responsibility (CSR) issues, which introduce new risks. Incorporating an environmental dimension into procurement, therefore, requires comprehensive internal restructuring and change management to engage with and prepare all stakeholders.

1 Promoting green transition consistently across culturally diversified procurement functions

Large companies often have a complex **purchasing organisation** straddling a wide variety of purchased product and service categories, different geographical regions, and multiple strategic entities and/or business lines.

This business, as well as cultural, segmentation creates inconsistent practices, a challenging situation for corporates dealing with the cross-cutting issues of green transition. They must, therefore, embed those issues in, and adapt the organisation of, their procurement process.



A purchasing organisation led by a dedicated entity

TotalEnergies' activities create hundreds of thousands of direct and indirect jobs worldwide. Present in about 120 countries, the company works with a network of more than 100,000 goods and services suppliers. In 2023, purchased goods and services (excluding petroleum products and trading/shipping-related charters) amounted to around \$30 billion worldwide. Procurement spend is about 28% for goods and 72% for services. Supplier relationship management is coordinated by a dedicated cross-functional subsidiary, TotalEnergies Global Procurement, responsible for delivering procurement services and providing assistance to company entities and facilities.

In line with its goal to integrate all aspects of sustainable development at the heart of its strategy, projects and operations, TotalEnergies is committed to achieve continuous progress in responsible procurement.

In 2016, the company initiated an audit programme for its suppliers to monitor respect for human rights at the workplace. In 2019, it adopted a new procurement-related CSR risk mapping strategy before creating, in 2020, a department dedicated to responsible procurement within TotalEnergies Global Procurement.

In January 2022, the Group Executive Committee adopted the 2025 responsible procurement programme covering all the aforementioned CSR issues. The programme's implementation is managed by the Responsible Procurement department and monitored by the company's senior management along with the Responsible Procurement Committee that meets at least once a year.

The responsible procurement programme covers all aspects of sustainable development based on five cross-cutting priorities:

- **strengthening** the responsible procurement culture in the group;
- **raising** awareness and engaging suppliers;
- **factoring** sustainability criteria into key stages of the procurement process;
- **assessing** supplier sustainability performance;
- **engaging** suppliers in an ongoing improvement process.

One way is to integrate the supply chain into the definition of **global environmental footprint reduction targets**. Many companies now include their scope 3 upstream emissions in their decarbonisation target audited and validated by the Science-Based Target initiative (SBTi). Some also set targets for reducing the water footprint of the value chain. LVMH, for example, aims to reduce water withdrawals across its supply chain by 30% by 2030⁶. Long-term goals can be accompanied by shorter-term targets, allowing both general management and the purchasing department to be held accountable, in particular by incorporating performance against targets into executive compensation criteria. Defining targets serves to develop a roadmap, along

with a number of workstreams, both internal and external. This publication sets out the most commonly found actions in this regard.

At Saint-Gobain Group, the network of country and business directors is charged with deploying the sustainable procurement strategy. Defining the group's goal of net zero by 2050 has operationalised the environmental issue among various local teams of buyers albeit against an unfavourable background of rising costs. For its part, Engie Group's strategy is driven by combining governance and a supplier-focused sustainability indicator.



CO₂ and the procurement function: crucial organisational transformation

In line with its “*Making the world a better home*” policy and ambition to be leader in sustainable construction, in 2020 Saint-Gobain Group committed to reduce its scopes 1 and 2 emissions by 33% and scope 3 emissions by 16% between 2017 and 2030, and to achieve net zero by 2050. Such a goal calls for re-engineering of processes and thinking in all countries.

To change investment priorities, the group's countries of operation and international businesses were asked in 2021 to include scope 3 in their budgets and long-term strategic plans. This strategic alignment took on an operational dimension when the scope 3 product procurement measure was assigned to Group purchasing teams, who have effectively become responsible for scope 3 category 1 metrics. As a result, during the pilot phase the monitoring tool (an Excel table filled in manually by a number of testers) initiated a disclosure process for procurement volumes received by the plants and to establish their CO₂ equivalent estimates. The complexity and volume of the workload associated with this additional task of the procurement function were also quantified. What followed was a decision to foster the development of a solution under the Nazaré project involving the digital transformation of the Group's procurement function to ensure more reliable results,

more secure data and enhanced performance. For human resources as well, it was decided to set up a network of about thirty buyers worldwide (the “CO₂ Champions”) and train them to assume responsibility for the relevance of the reported data. Initially, the process focused on impactful raw materials, i.e. those that generate the most tCO₂e. The training given by the CO₂ Champions to local teams was crucial to the system's operation, as the degree of maturity of the countries in terms of carbon footprint reduction was (and still is) inconsistent.

Performing this key role, in the midst of Covid, has helped give even more meaning to the buyer's mission: “responsible” is now an adjunct to ‘fundamentals’ (where negotiating the best price continues to play a part). The upshot of this is that the modern Saint-Gobain buyer plays an active role in measuring the carbon footprint of its portfolio and drawing up improvement plans with its suppliers.

In sum, as far as the purchasing organisation is concerned, CO₂ management is built on close collaboration between central teams (responsible procurement teams, digital applications procurement) backed by a local network of lead experts.

⁶ CDP (2023), *Ibid.*



Carbon Lead Coordinators guide the sustainable procurement roadmap

At Engie, procurement is clearly identified as essential to achieving the Group's decarbonisation goals (well below 2°C by 2030, net zero by 2045), which are integrated into all processes in order to monitor the group's carbon pathway.

In the procurement sector this approach is driven by a decarbonisation monitoring committee which acts as a governance body comprising representatives from each organisational level (category management, regions, business lines). The committee, chaired by the group's Head of Procurement Sustainability, is responsible for the overall progress of actions but it also coordinates the activities of field players, in particular the Carbon

Lead Coordinators in charge of carbon dialogue with the most important suppliers. This organisational and governance arrangement is one of the key drivers behind the successful implementation of decarbonisation actions.

The processes are monitored at the highest level of procurement and the uppermost echelons of the company because Engie's non-financial indicators include the target of having 250 preferential suppliers (accounting for 20% of group purchases) certified by or aligned with the Science-Based Target initiative by 2030.



Implementing a climate procurement roadmap with internal and external stakeholders

Air Liquide Group is committed to aligning its businesses with a decarbonisation engagement strategy. The group's actions are guided by a significant cross-cutting exercise involving various internal and external stakeholders committed to achieving its carbon neutrality goals by 2050. The sustainable procurement team works closely with the sustainable development, ethics and due diligence departments to ensure transparency and proactive involvement in sustainability issues, while overseeing risk assessment and compliance with the code of conduct.

Procurement efforts include critical supplier sustainability assessment management in key areas such as the environment, labour, human rights, ethics and suppliers' own sustainable procurement practices. Air Liquide focuses on monitoring the implementation of supplier corrective action plans and actively promoting greener practices in purchased goods and services.

As part of the carbon emissions reduction strategy, the decarbonisation of scope 3 emissions plays a key role in achieving the company's sustainable development targets. While their current volume is small compared to scopes 1 and 2, emissions from purchased goods and services, upstream transport and business travel are being paid special attention to avoid a projected increase in relation to scope 1 and 2 by 2035.

To achieve long-term outcomes, the group has put in place a climate procurement roadmap which focuses on reduction, engagement, impact and measurement. This roadmap involves setting reliable scope 3 decarbonisation targets, providing sustainable procurement training for buyers and suppliers, promoting positive impacts through key initiatives, and transitioning to science-based emission factors for supplier data assessment.

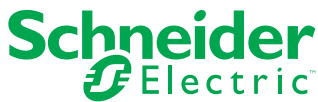
While suppliers often account for the bulk of the scope 3 upstream footprint, the procurement function is also engaged in improving other emission sources using a specific roadmap. This especially applies to commuting where car fleet electrification becomes an important driver of decarbonisation. Companies such as Capgemini, EDF and Schneider Electric have committed, through the EV100 initiative, to electrifying 100% of their fleet by 2030. In the same vein, the procurement function could handle energy purchases, including renewable energy supplies, to reduce scope 2 emissions.

This top-down impetus is generally followed by the **mobilisation of teams** across the various business lines and regional facilities of the company. In many cases, various segments of the procurement function have seen the emergence of “ambassadors”, “champions” or “coordinators”, who are invited and selected on a voluntary basis to train and raise the awareness of local teams on environmental issues. Their action is broadly supported and driven by a central team in conjunction with the CSR and purchasing departments. The emulation created by the field exercise encourages the emergence of in-house initiatives, which provide valuable feedback for all teams that can lead to the deployment

of various tools to promote and continuously improve sustainable procurement practices. The backing of a central support team responsible for as many information flow management tasks as possible reduces extra workload for voluntary buyers and streamlines the process.

Subsequent impetus for the issue from above (organisation) and from below (operational ambassadors) ramps up **skills development** among procurement teams, in particular through training. In general, a training path is established to support buyers according to their level of maturity. The topics covered range from general awareness of environmental issues and related benchmarks (Sustainable Development Goals, SBTi, regulations, etc.) to training in the use of tools to manage environmental performance in the procurement process.

Lastly, buyers’ engagement involves environmental performance **target setting at team level** or even employee level, which affects their compensation. The targets may concern direct actions (e.g. proportion of contracts incorporating an environmental selection criterion) or impacts (e.g. percentage cut in procurement-related GHG emissions).



Procurement sustainability roadmap

The incorporation of sustainability into Schneider Electric's procurement functions is based on the following principles:

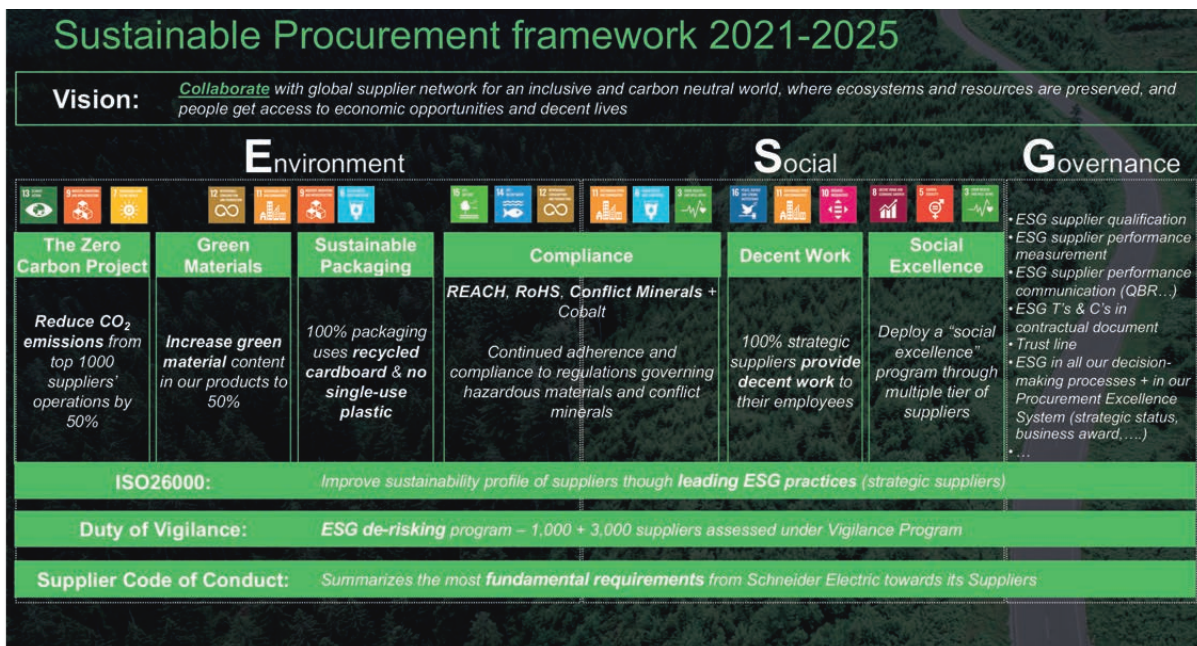
- awareness building and training: the company has implemented employee information programmes on environmental, social and human rights issues and creating an in-house culture;
- clarifying goals and requests to suppliers: code of conduct reproducing the 3 pillars of ESG;
- definition of a roadmap covering all facets of ESG and organised into basic programmes (due diligence (or duty of vigilance), measuring and managing suppliers' ESG performance) and transformational projects;
- deployment of these programmes with suppliers through collaboration and support. This includes implementing supplier training programmes, digital tools and experience sharing, as well as improving access to expertise in different fields and promoting supply chain innovation;
- extensive customised support to suppliers with the help of local expertise: nationwide deployment of sustainability experts to support suppliers in their ESG development;
- inclusion of sustainability targets for the entire procurement population: implementation of ESG

performance measurement and monitoring systems using different programme indicators from score-cards and quarterly reviews to employee compensation;

- inclusion of ESG criteria in supplier and product selection;
- eco-innovation: the company has also integrated eco-innovation into its procurement functions through the adoption, research and development of new eco-friendly solutions.

In 2021, Schneider Electric drew up a sustainability roadmap for its suppliers in the coming five years. The roadmap includes three cross-cutting programmes: code of conduct, due diligence, and ISO 26000. They are supplemented by transformational initiatives, such as the "Zero Carbon Project" (50% reduction in operational GHG emissions of the leading 1,000 suppliers), "Green Materials" (increased use of green materials in its products), "Sustainable Packaging" (use of recycled cardboard and removal of single-use plastics from all packaging), "Decent Work" (100% of strategic suppliers providing decent work for their employees), etc.

All these programmes are managed globally by dedicated project managers and relayed in each region and category by local purchasing managers.





Incorporating the green transition into the procurement function

At Veolia, the factoring in by procurement function of the energy transition issue is fully in line with the policy adopted by the group in 2019. This policy involves multi-criteria performance aimed at achieving a balance between environmental, economic, social and societal considerations.

Committing to a transition process entails paying attention to the management of change. To ensure that its procurement teams take full ownership of green issues, Veolia has prioritised several areas of action.

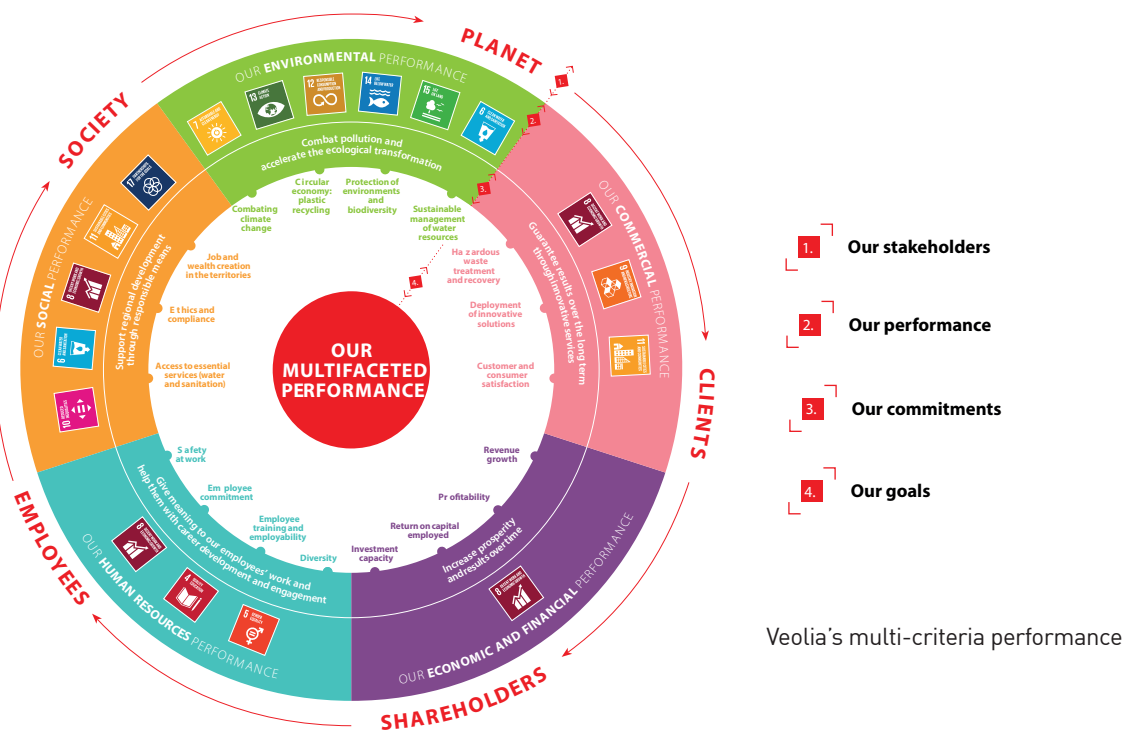
Governance has been organised accordingly. The group now has a community of more than fifty sustainable procurement ambassadors present in each business unit and region of the world who work with local sustainable development teams and a network of purpose officers supporting our goal. These ambassadors can be buyers, chief procurement officers or people from the purchasing excellence department. The responsible procurement team at group level manages and coordinates the network's activity through regular reviews during the year.

Training curricula are another important element in facilitating an effective transition. Accordingly, a toolbox has been created for ambassadors so that they can in turn train buyers in their teams. A short version of this training has also been developed in an e-learning tool. It includes key contextual factors (CDP, SBTi, due diligence, etc.) facing Veolia along with the group's

response, and is interlinked with the responsible procurement programme (sourcing procedures, contractual clauses, category-based strategy, supplier relations). It also explains how buyers should apply this approach to their procurement categories, transform it into supplier issues, and draw inspiration from best practices, etc. In this respect, the implementation of the procurement decarbonisation roadmap is an excellent illustration of the need to provide adequate training for the buyer population. Buyers must integrate this new dimension into the processes in use, and acquire an adequate knowledge base to help align their management of supplier relations (calls for tenders, performance review, etc.) with the group's overall decarbonisation strategy.

Lastly, Veolia's procurement sector holds annual "responsible procurement awards" with the aim of highlighting the initiatives developed by the business units. The awards cover four themes: inclusion/value creation, energy/energy efficiency, circular economy, and innovative business models. This scheme is of interest because, on the one hand it creates positive momentum through the involvement of the business units, and on the other it ensures that by recognising the best initiatives a strong sense of belonging and pride is nurtured in the teams involved.

In sum, integrating green transition issues satisfactorily in the procurement sector requires the development of an internal system adapted to the organisational context and particular attention when managing change to facilitate ownership of those issues by everyday players



2 Including various corporate functions in the sustainable procurement approach

While the purchasing department is responsible for managing the environmental performance of procurement, operational implementation usually involves engaging other internal stakeholders to embed this consideration across the procurement process.

The first step usually involves working with the **CSR department** in order to **link procurement and environmental strategies**. Awareness of the interconnection between climate, biodiversity, water and soil issues calls for a global strategy that is also applicable to the

value chain. To do so, the CSR department generally provides buyers with environmental expertise aimed at increasing their skills and autonomy and “training the trainers”. It also contributes to prioritising environmental issues based on their materiality, particularly in relation to regulatory frameworks such as the CSRD. This approach to integrating procurement’s environmental performance is supplemented, for large French companies, by due diligence exercises, which can combine other functions (compliance, risks, etc.) with risk mapping tasks.



Factoring nature into procurement decisions and strategies

Florence Clap, Biodiversity Policies Programme Officer.

The share of nature in corporate thinking, strategies and actions has greatly increased in recent years. More and more businesses are questioning their direct impacts on biodiversity and taking action at their industrial plants to reduce them or even restore biodiversity. Some businesses are already undertaking voluntary biodiversity-friendly actions and focusing on their upstream value chain, especially their procurement.

Businesses and financial institutions must take full responsibility for the negative impacts – proven and potential – that their decisions have on individuals, society and the environment. They should, therefore, develop appropriate solutions to avoid these impacts. The double materiality exercise undertaken by them today often reveals that biodiversity erosion is a material risk. Identifying the need to preserve biodiversity and reduce the material risks it faces will therefore enable them to address the other sustainable development goals, such as ensuring access to water and sanitation, ensuring food security, promoting health and well-being, ensuring better distribution of natural resources, etc.

Accordingly, all corporate departments are concerned and not just the sustainable development or CSR departments. Purchasing departments play an important role, and their work must be coordinated with that of the departments managing biodiversity-related actions. Much work remains to be done to ensure that biodiversity is placed on the same footing as climate. Yet it is part of the solution to mitigate the effects of climate

change: climate and biodiversity are closely related and interdependent issues.

It is therefore essential that biodiversity be fully integrated in raw materials procurement or supplies procurement decisions across the company’s upstream value chain with a view to transforming our models. Accordingly, procurement decisions must necessarily factor in biodiversity strategy. There are different ways this can be done:

- stop purchasing materials with a strong impact on biodiversity;
- choose materials with little or lower impact on biodiversity using certified/labelled products and purchasing charters incorporating biodiversity criteria;
- replace one product with another that will have less impact on biodiversity;
- favour recycled and recyclable materials.

Biodiversity issues should not be perceived by businesses as a new and “added” problem to be solved, but rather as a new approach: since biodiversity preservation supports and addresses many other issues, biodiversity-friendly procurement decisions will indirectly meet other environmental or social criteria.

Yet while data on the overall ecological footprint of some products is available, biodiversity-specific data remains fragmented. To plug this gap, a special effort is required from corporate purchasing departments and their suppliers.

Inclusion of a sustainable procurement strategy in contracts usually involves **specifiers** from business lines' project teams. It is they who initiate the designation of the requirement for the procurement function and bring their business expertise to bear in the definition of the technical and economic specifications of the products and services to be acquired, and in the quality assessments of supplier responses. On environmental issues, they are thus often best placed **to identify which**

issues need to be assessed, and to offer a pragmatic solution tailored to the requirements especially related to issues in which the level of knowledge is still not mature. The legal department can be involved in the subsequent contractual phase, be it for the insertion of specific clauses or for contract negotiation purposes in support of the due diligence implementation pilot project.



CSR in public procurement

Caisse des Dépôts et Consignations has just acquired its third generation economically responsible procurement promotion blueprint (SPASER) for the 2024-2027 period. This document is mandatory for public procurement officers whose annual spend exceeds €50 million (exclusive of tax). Its purpose is to encourage the factoring of CSR into public procurement.

The public institution's SPASER is based on 4 themes:

- procurement that supports the green transition;
- procurement that supports social and professional inclusion;
- innovative and economically responsible procurement;
- procurement governance and performance.

Each theme contains goals broken down into concrete actions to be taken and proposals on procurement techniques (execution clauses, criteria, progress plan, variant, etc.). SPASER also sets the targets to be met.

SPASER's success hinges on the involvement of all stakeholders in the procurement chain. That is why everyone must take ownership of it: specifiers, buyers, and users. To do so, the procurement process had to be adjusted.

The first step is to incorporate the CSR department into the upstream procurement process. Its role is to decide

the CSR rating of procurement contracts to be launched during the year. Using an in-house tool, the "Radar", the CSR department rates each of the contracts planned as strong, moderate or weak. This rating serves to define the scope and form of the CSR components to be included in the consultation files: execution clauses, award criteria, progress plans, potential variants, etc.

The second step is to share this rating with specifiers and buyers. It is necessary though to align the entire procurement chain, in particular to ensure that the supplier market is mature enough to meet the requirements, and to avoid unsuccessful procedures. It is also necessary to ensure that the proposed CSR clauses are not prohibited by the public procurement code (e.g. local procurement). A fair balance has to be struck between the CSR aspect, procurement performance and legal compliance.

The third and last step concerns contract performance. Both the specifier and the CSR department are actively engaged in checking whether CSR requirements in the specifications and supplier commitments have been respected. Impact measurements are subsequently carried out by the CSR department.

An annual review is drawn up with the specifiers, buyers and the CSR department to measure the extent to which the various indicators have been met.



Converging financial and non-financial performance in the procurement function, for example in relation to biodiversity

In 2023, Séché Environnement Group's purchasing department set up a centre dedicated to procurement performance, marking a new stage in the company's transformation. The centre focuses on procurement process optimisation, digital transformation and integration of responsible procurement practices, thus placing operational performance, technological modernisation and social responsibility at the heart of its concerns.

The sustainable development, finance, legal, and compliance departments work closely with the group's purchasing department to translate green transition ambitions, business ethics and economic sustainability into concrete actions aligned with the practices and requirements of the procurement function.

The centre's activities include awareness-raising initiatives within the group's buyer community such as sharing days and practical workshops on cross-cutting issues. It also oversees tri-annual responsible procurement committees to develop and monitor supplier action plans and sustainable procurement strategy by procurement category.

To strengthen responsible practices, the centre provides procurement decision tools, including a lexicon of CSR assessment criteria, carries out life cycle analyses, and draws up prioritisation matrices for responsible procurement issues. It also manages supplier listing and assessment, and ensures the consistency and effectiveness of its approach by means of a dedicated point of contact and digital tools.

A concrete example of this is the drive to factor biodiversity issues into procurement policy. The group's biodiversity strategy involves assessing suppliers' own strategies, biodiversity actions and environmental practices. This allows them to be integrated into group policy and supported in the adoption of more responsible practices, based on dialogue on what is an emerging and as yet seldom addressed issue. To do so, we bring to bear in-house environmental experts. Furthermore, our policy meets Ecocert biodiversity certification requirements for the entire value chain to which the group belongs.

Procurement's environmental issues do not stop at the company's impacts on the environment. **Physical risks related to climate change** are increasingly integrated with financial materiality analyses. Business continuity is vulnerable to supply disruptions caused by climatic hazards (floods, drought, storms, heatwaves, etc.). The chemicals group BASF estimated, for example, that the Rhine drought in 2018 cost them 250 million euros by drastically undermining their ability to transport the raw materials needed for production and led to the temporary shutdown of a production facility⁷. Droughts but also floods, hurricanes, heat and cold waves can disrupt transport routes and slow or stop production at the supplier's site. The disruptions in the value chains of agribusiness, medicinal products, semiconductors or plastics are recent examples of this trend⁸.

That is why **dialogue between risk managers and procurement officers** should take place to reduce such risks or limit their impacts. In some businesses, dialogue is overseen by a risk watchdog in the purchasing department. The publication "En entreprise, comment s'engager dans un parcours d'adaptation au changement climatique ?" (How to commit to a climate change adaptation pathway in business), prepared by ADEME in partnership with EpE, shows among other things that dialogue between stakeholders from the same sector is necessary to implement a comprehensive and robust adaptation strategy⁹.

Some companies, such as Michelin, La Poste, Séché Environnement and SNCF, explain that they have ongoing work to extend climate risk analysis to their suppliers. The findings of this analysis applicable to buyers range from stockpiling to supplier diversification, and can include more structural decisions (e.g. routing changes, geographical relocation of supply chains).

7 BASF (2018). BASF Analyst Conference Call Full Year 2018.

8 carbone4 (2022). Climate change and supply chain: towards a wave of supply disruptions?

9 EpE-ADEME (2024). How to embark your company upon its climate change adaptation journey?

The **Information Systems (IS) department** appears to play a vital role in **organising the collection, exploitation and continuous qualitative and quantitative improvement of data** in the organisation's digital systems. Large businesses often have to deal with multiple internal or external software solutions such as ERP (*Enterprise Resources Planning*). Data collection, standardisation

and centralisation requires the cooperation of buyers, IS teams and LCA experts (see Saint-Gobain box). The environmental data collected is subsequently used by buyers and the CSR department to monitor supplier performance and for non-financial reporting and data transmission to the downstream value chain.



Key role of Data Lake Nazaré in procurement function's environmental performance

The costing of procurement-related emissions on a global scale would never have been possible without the contribution of the "Nazaré" project for the digital transformation of the group's procurement function. The unit stores all the data supplied by the more than 140 group ERP systems in a central data lake, including product volumes received by all its industrial facilities worldwide. Procurement data structuring at Saint-Gobain not only saves time and reduces manual interventions during implementation of the CO₂ emissions quantification project, but also ensures total data transparency and robustness, thereby making the group's non-financial reporting more reliable.

To convert volumes into tonnes of CO₂ equivalent (tCO₂e), Saint-Gobain has embedded its strategic raw material suppliers in its strategy, asking them to collect LCAs (including emission factors) where they exist. Their feedback, which varies according to their level of environmental maturity, populates a library of so-called generic emission factors mapped by default in the CO₂ emissions calculation tool. More than 1,000 different emission factors have been documented and over 250,000 links between purchased items and emission factors established.

Once this information is collected, it is necessary to create the conditions for exploiting this massive flow of data, i.e. converting the volume of purchases for the

storage unit (item, square metre) into mass (kg), and associating each raw material with its own emission factor. Our Archimedes in-house "translation" tool has been designed for this purpose and uses a multidisciplinary approach involving IT teams, who developed the digital architecture, and LCA experts, who ensure data consistency in the LCA library.

Only the CO₂ Champions perform behind the scenes calculations. The other users (managers, raw material buyers, etc.) "simply" employ automated dashboards to view the CO₂ emission calculation results.

The project demonstrates the multiplier effect of the procurement function and its transformative impact on the customer-supplier relationship by engaging the entire value chain on environmental issues based on group goals. What initially seemed like a constraint (providing LCAs) becomes, thanks to the re-engineered customer-supplier relationship, a shared challenge.

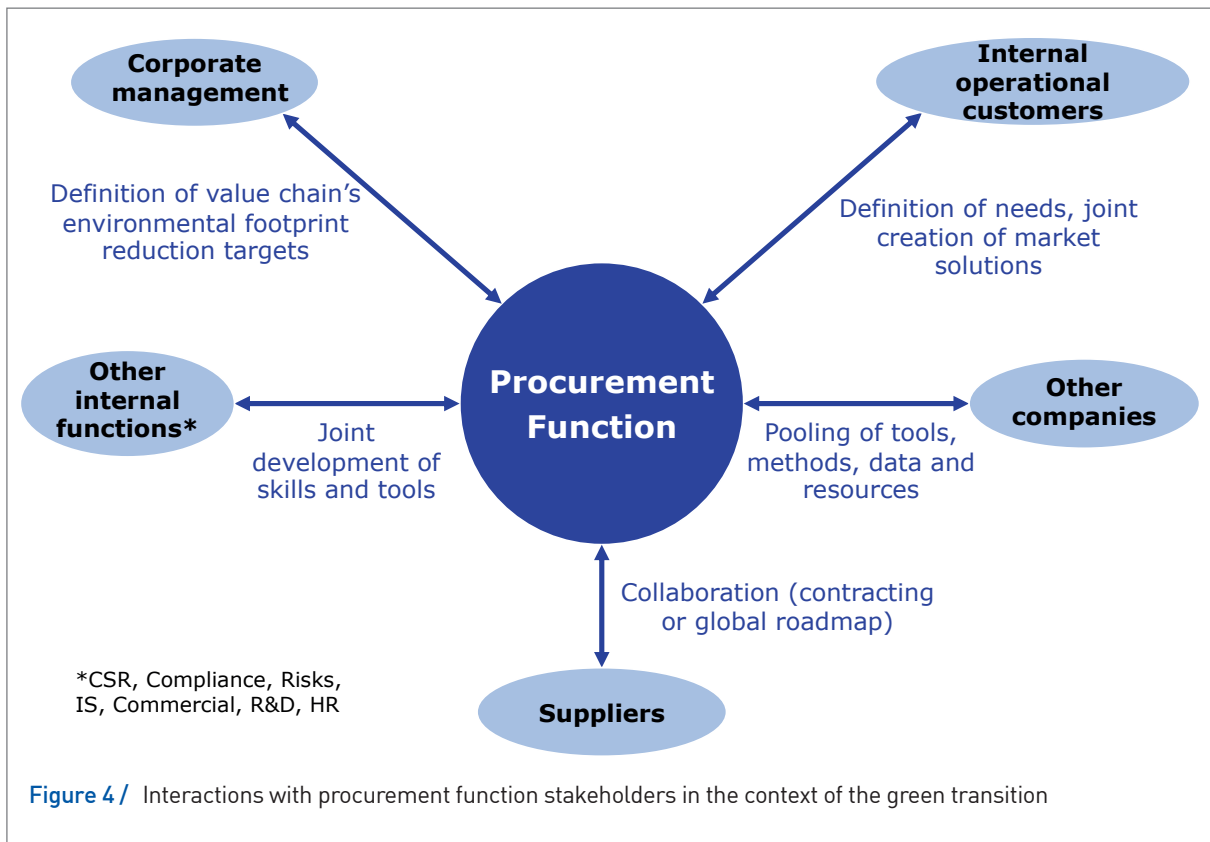
Because of the digitisation of the procurement function via Data Lake Nazaré (with the help of artificial intelligence), and the commitment of central and local teams, Saint-Gobain has been able to meet the challenge of measuring its scope 3 category 1 in only 18 months, with CO₂ calculations for over 90% of procurement spend across raw materials, packaging and traded products related to the group's industrial activities.

For the latter items, **sales teams** also become stakeholders in sustainable procurement since they rely on the information collected to answer their own customers' queries and data requests regarding value chain practices. In this way, they provide feedback on how customers react to environmental performance. Once they have been trained to enhance the environmental added value of a product, vendors find it easier to make quality offerings integrating sustainable procurement.

The new offers often involve the **Research & Development (R&D)** department identifying criteria to be included in the technical specifications and eco-design of solutions integrating intermediate products from suppliers.

Lastly, the **Human Resources (HR)** department cross-functionally supports organisational adjustments involving different stakeholders, especially with a view to standardising and mainstreaming the related business processes. More concretely, it supports reorganisation of the procurement function by defining the new scope of job descriptions and the skills associated with them, ramping up skills development in teams, and improving assessment processes (see previous section).

A revamped purchasing organisation, which evolves in line with environmental issues, relies on the development of tools to reflect the requirements and impacts of the actions taken. This is the subject of the next chapter.



2

Managing environmental performance in the procurement process

Environmental performance becomes an indicator in its own right of selection, contracting and purchaser-supplier business monitoring (during and/or after contract execution). In this context, the first of these stages is the most critical. Indeed, while the methods and tools can often be identical for all procurement (“one size fits all” approach), the tender selection phase is the common exception. It is usually based on an approach by procurement category so as to establish an identity card for each category with its own issues, targets and tools. In fact, the materiality of various environmental issues can vary greatly from one type of procurement to another. The indicators included in a contract and subsequently monitored during its performance stem from this preliminary work.

So how can we define and then implement a methodology for evaluating tenders from competing suppliers which is as robust as that used for assessing technical and economic criteria, given the varying degrees of maturity and engagement from one supplier to another? Despite these limitations, EpE member companies are adopting pragmatic approaches to ensure ongoing improvements in data collection, consolidation and evaluation methodologies.

1 Integrating environmental criteria in the selection process

Consideration and **weighting of environmental criteria** in the evaluation of tenders is a central aspect of the sustainable procurement approach. Various strategies may then be considered. In fact, the methodology can change from one procurement category to another, since the maturity of suppliers and the materiality of environmental issues may vary with the sector. Consideration of some criteria may also be adversely affected by the limited availability of environmental data. Buyers are therefore required to adjust the weighting of the environmental score within the overall score, but also to select the relevant issues to be assessed and the appropriate assessment format (see Table 1).

Among the criteria used, those relating to GHG emissions are more easily quantified, thus making emissions reduction a selection factor. It could be put into practice by defining an internal carbon price. The publication “**Internal Carbon Pricing: a rising practice**

among corporates”^[10] describes how carbon pricing can be used to compare a wide variety of tenders in order to favour the most energy-efficient and economical goods and services.

While such a tool seems attractive and promotes the value of a purchase in terms of purchaser’s emissions, its successful deployment requires a robust emissions calculation methodology that can be audited and disclosed to suppliers in complete transparency.

In 2022, SNCF Group introduced a carbon criterion in all its tenders via a rating based on an internal carbon price (€100/tCO₂e) for two procurement categories: works with a high carbon content due in particular to the presence of high carbon content supplies such as concrete and steel; and purchases of intellectual performance and services mainly concerning employee travel^[11]. A similar approach has been adopted by EDF Group.

10 EpE (2016). Internal carbon pricing: a rising practice among corporates.

11 <https://www.sncf.com/fr/groupe/fournisseurs/decarbonation-achats>.

Characteristic of environmental criterion	Practices reported by EpE member companies
Discriminatory or optional?	Discriminatory: useful as it helps to differentiate environmental performance but requires sufficiently mature suppliers
	Optional with mandatory response: helps raise awareness among less mature suppliers of purchaser's new expectations and engage them on disclosing their practices
	Combination of discriminatory and optional criterion Examples : <ul style="list-style-type: none"> • electrifying fleet of vehicles deployed for contract (mandatory); • buying guaranteed low-carbon electricity to power fleet (optional)
If discriminatory: what elimination threshold?	The elimination threshold is often progressive, in which case it is preferable to track it over time. Before focusing on the score itself, the requirement could concern the ability to provide information (e.g. GHG footprint).
	No elimination threshold: in the event of a poor score, undertake negotiations with the selected supplier to define improvement actions
Requests for qualitative and/or quantitative information?	Qualitative: questions may relate to commitments made and be based on action indicators (e.g. number of ADEME sufficiency practices ⁽¹²⁾ implemented, commitment to a certified pathway, water-specific commitment)
	Quantitative: evaluation of the tender's environmental quality during the main stages of its life cycle, in conjunction with measurable indicators (supply chain traceability, energy efficiency of operations, end of life)

Table 1 Examples of approaches for sizing assessments of supplier environmental performance

Applying carbon pricing serves to monetise the carbon impact of a supplier's tender by adding an additional cost to the financial bid, and therefore to assess and compare two competing tenders by factoring in this

aspect. Another approach consists in using the internal price to calculate avoided emissions across different scopes in the most sustainable tender.

¹² ADEME (2023). 10 actions to save businesses energy this winter.



Carbon pricing to assess supplier decarbonisation initiatives

The fight against climate change is at the heart of EDF's *raison d'être*. To engage with its suppliers on the decarbonisation of its major projects, EDF has introduced **internal carbon pricing since 2023** and is developing a **carbon scoring tool** for tenders submitted under calls for bids.

Internal carbon pricing is a benchmark for the implementation of today's and tomorrow's decarbonisation tools. Concretely speaking, it consists of a ceiling price EDF is willing to pay to save 1 tonne of CO₂. This value, currently €100/t, will be revised annually to support EDF's strong decarbonisation ambitions over time.

The carbon scoring tool serves to ascertain the carbon impact of purchased products in the same way as their price. Purchases are no longer made on a best-value-for-money basis but at the optimum quality, price, and

carbon footprint. In this way, EDF promotes products that emit less CO₂ into the atmosphere than competing products. In calls for bids, this tool questions the physical quantities deployed in supplier tenders and calculates with a recognised method the carbon score representing their carbon footprint. The result is evaluated either by integrating an additional carbon cost into the tender price, or by incorporating a rating into the final score of the tender, with the methodology being chosen on a case-by-case basis.

The tool was tested in 2023 across various contracts and has already saved several tonnes of CO₂ emissions. The success of this demonstrator lies in its ease of use and retrieval for both buyer and supplier. EDF is committed with the Neutral.eco start-up project this year to industrialising the tool by involving the main business lines of its major projects one after the other.



Tools to improve reliability of sustainable procurement roadmap monitoring

Air Liquide's bottom-up approach is based on collaboration, as part of a dynamic organisational process, with Procurement Climate Champions appointed to support implementation of the procurement climate roadmap. The sustainable procurement strategy has made headway towards the integration of environmental and social criteria into tenders, the gradual inclusion of environmental best practice requirements in contracts, and the continuous improvement of suppliers' sustainability performance.

The group requires each supplier to sign and adhere to its code of conduct which includes a CSR clause (adapted by category) requiring suppliers to put in place an action plan for optimising water resources management and for measuring and reducing GHG emissions. In calls for tender, the procurement team assesses the supplier's sustainability maturity (with regard to decar-

bonisation) based on its emission reduction targets and commitment to science-based targets (e.g. SBTi).

One of the key tools is Total Carbon Ownership (TCO₂), which helps to understand and track the carbon footprint of purchased products across their lifecycle. Thanks to TCO₂, Air Liquide can assess the maturity and environmental impact of their suppliers, enabling informed decisions to be made and emissions reduction efforts to be included in the total cost of ownership of products and services.

The group also meets with key suppliers to discuss their engagement on decarbonisation, to determine if they are able to provide accurate product-specific carbon footprints based on a scientific methodology, and to discuss how to work together and help each other attain their respective targets.



TotalEnergies

Integrating sustainability criteria into key stages of the procurement process

TotalEnergies updated its procurement directive in 2022 to strengthen the sustainability and climate aspects of its procurement rules. The company ensures that these criteria are integrated into the key stages of the process set out below.

Supplier pre-qualification: the supplier pre-qualification process covers six criteria: administrative, anti-corruption, technical, HSE (health, safety and environment), financial and sustainable development. During this process, suppliers must show compliance with the company's fundamental procurement principles and disclose their sustainable development commitments (e.g. signing the Code of Conduct, no operation in UNESCO- or Ramsar-protected areas) via a questionnaire. A supplier may be excluded from the panel if its response to the sustainable development questionnaire is unsatisfactory. A pre-qualification registration system is being rolled out in the company. By end 2023, more than 20,000 suppliers had been registered in the system.

Tender evaluation: TotalEnergies integrates sustainable development criteria into tender evaluation. The criteria may concern supplier engagement (overall maturity assessment), and whether, for example, scopes 1 & 2 emissions from the purchased product or service have been taken into account and included in the calculation of total cost of ownership. The company takes carbon emissions into account when calculating total cost of ownership for the highest emission categories (marine logistics, rotating machinery, etc.).

Contracting: the company's rules require that procurement fundamentals be systematically incorporated into supplier contracts. These principles include an audit clause. Additional clauses, on local content or HSE for instance, are also included in contracts where relevant.

Contract monitoring and execution: during the term of the contract, suppliers are subject to documentary and/or on-site audits to check compliance with the company's fundamental procurement principles and assess their sustainable development performance.

“Emissions calculation: factoring the climate criterion into procurement processes”



The “carbon” criteria included in calls for tender today enable the most carbon-free bids to be identified, while meeting technical and HSE criteria.

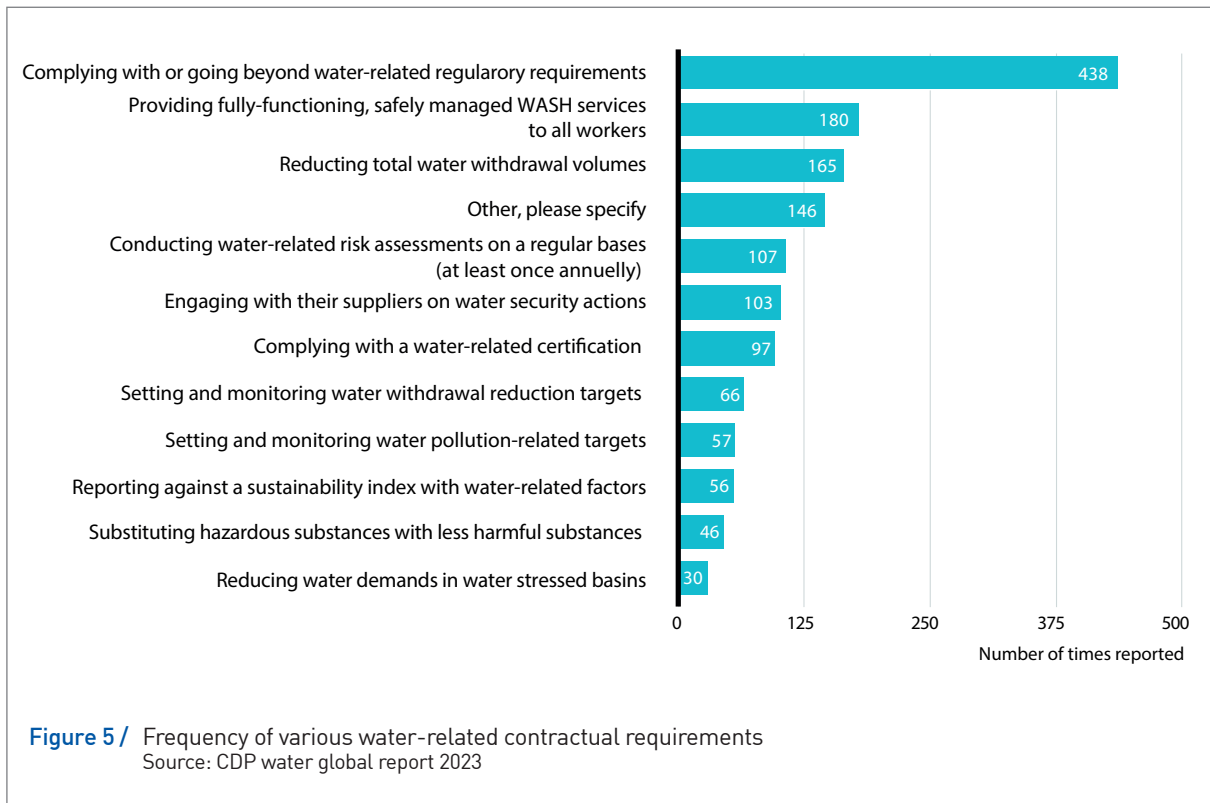
For example, the calculation of avoided emissions based on carbon cost has made it possible to compare a hybrid ship's daily emissions rate with that of a conventional ship. As a result, TotalEnergies EP UK has chosen a hybrid shipping service which reduces fossil fuel consumption and helps save 6,800 tCO₂e over 5 years.

As explained in the previous chapter, buyers are being given ever more incentives to consider **a number of environmental issues beyond GHG emissions**. Proper consideration of these other issues comes up against two difficulties: lack of homogeneity in standards and methods, and vast numbers of information requests from suppliers on subjects in which their maturity is still limited. Businesses tend to adopt flexible approaches to improve their knowledge of environmental risks among suppliers and increase supplier awareness of, even training in, this issue.

Depending on the purchased product or service, the first step is to select the most relevant environmental risks and include them in supplier questionnaires during the tender process. Risk mapping by geographical location could be used to achieve this (e.g. Aqueduct¹³ and Water Risk Filter¹⁴, Integrated Biodiversity Assessment Tool¹⁵).

The second step is to ask suppliers for qualitative information about their practices in order to establish an inventory and identify the areas of work and metrics applicable to their tenders. On water issues, a supplier may be assessed on how its activities impact water quality and availability in terms of withdrawals and discharges, but also on how dependent the business is on water resources (see Figure 5).

Taking into account the diversity of issues involves a degree of subjectivity. Dialogue between internal stakeholders (typically buyers and CSR experts) and external stakeholders can facilitate matters through the adoption of a more collective stance. For example, some companies rely on a stakeholders committee to prioritise the most material issues.



13 <https://www.wri.org/aqueduct>

14 <https://riskfilter.org/water/home>

15 <https://www.ibat-alliance.org>



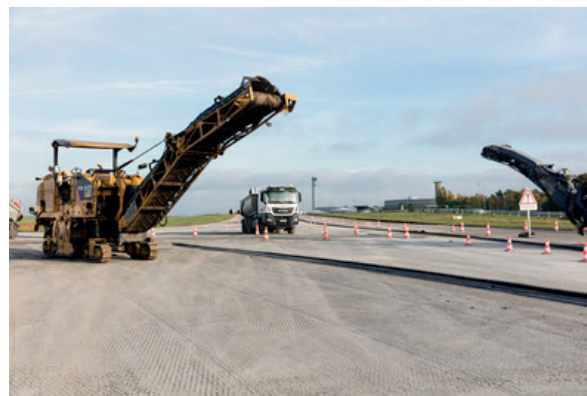
Multi-criteria calls for tender to evaluate supplier environmental and decarbonisation actions

Aéroports de Paris SA is subject to public procurement rules for the award of contracts. The company renews more than 600 contracts a year through calls for tender that allow one or more suppliers to be selected for a given service. The award of a tender is based on three criteria: financial, technical, and CSR, including environmental and carbon considerations. For strategic tenders, the CSR weighting is set at 20%, and in some cases can even be as high as 30% if management so decides.

CSR criteria are adapted to environmental, social and societal issues by procurement category on the basis of procurement risk mapping. The criteria are assessed by means of a questionnaire sent to suppliers and adapted to the subject of the contract in line with public procurement rules. From an environmental standpoint, the questions asked concern the actions implemented by applicants to reduce their own and their suppliers' environmental impact over the life cycle of the service.

For example, incorporated into equipment procurement are several environmental sub-criteria: **natural resource optimisation**, developing eco-design approaches; **energy efficiency**, managing end-of-life issues aimed at reducing waste; and **circular economy**, reusing and recycling products. Equipment whose life can be extended may get a second life thanks to the group's Airport Market platform. In an invitation to tender launched in late 2023, the environmental criterion was weighted at 10% and divided into two sub-criteria: tender's environmental quality and proposed solution's carbon footprint.

For works, the SEVE software⁽¹⁾ is used to evaluate the carbon gains made on runway renovation projects. ADP lays down starting assumptions for the candidates on the basis of which they propose environmental variants that can save CO₂ and raw materials through concrete actions (on-site material recycling, low-carbon concrete, double l freight, etc.).



Construction of a runway with recycled rubble, Paris-Charles de Gaulle - 22/11/2022
©Gwen Le Bras for ADP

As part of its climate commitments, ADP plans to gradually apply a carbon criterion to all its highest emission tenders such as buildings, infrastructure, equipment and services. The aim is to achieve carbon gains that will supplement the carbon performance sought in the upstream phase (design – implementation) using the carbon budgeting process put in place by the company's Engineering and Capital Projects (ECP) Department for development projects above 5 million euros.

Furthermore, in response to new European legal framework requirements (CSRD and CSDDD), which place a greater duty on companies to control their environmental risks, ADP will ramp up its expectations concerning resource conservation and biodiversity. The approach will be formalised by sub-criteria dedicated to these themes and rated in calls for tender in the same way as carbon.

1 SEVE TP - Eco-comparator to reduce the environmental impacts of road infrastructure (seve-tp.com)



Biodiversity best practices in raw material procurement

Florence Clap, Biodiversity Policies Programme Officer

The French IUCN Committee has carried out studies with its Enterprise & Biodiversity work group to enable companies to identify and undertake priority actions with their strategic raw material suppliers.

Three strategic raw materials (aluminium, wood and steel) were selected for the first phase of this study. A first 'aluminium' fact sheet has just been published to help companies:

- identify their impacts and dependencies on biodiversity and ecosystem services related to their purchases of aluminium or aluminium-based products;
- gain an overview of key existing certification schemes;
- determine key issues they should raise with their suppliers and make recommendations suppliers should integrate into their biodiversity, CSR and responsible procurement strategies.

With regard to the effects of aluminium production on biodiversity, it may be noted that aluminium's whole life cycle has huge impacts, especially across the upstream value chain from bauxite extraction and consumer product manufacture to alumina production and aluminium production for the manufacture of alloys. The biggest problems measured in this connection are deforestation, land take, water resource overexploitation, water and soil pollution with red mud, and air pollution.

The main mechanisms for supporting mining practices with a lower impact on biodiversity are an international certification scheme run by the Aluminium Stewardship Initiative (ASI), and a global initiative bound by the International Council on Mining and Metals' (ICMM) sustainable development principles. We encourage these schemes, however, to define bolder sustainability criteria ensuring aluminium production has a lower impact on biodiversity.



https://iucn.fr/wp-content/uploads/2024/05/cfuicn_chaine-valeur-aluminium-def-170524.pdf

In view of our aluminium requirements to drive the energy transition of our societies, the French IUCN Committee puts forward three recommendations for businesses:

- favour products made from recycled aluminium;
- prioritise ASI-certified aluminium products;
- define ambitious sustainability criteria to reduce the impacts of primary aluminium production on biodiversity.

For other applications, priority should be given to reduce aluminium use.

2 Collecting and consolidating supplier data

Value chain complexity makes **supplier data reliability** a key issue. Yet an environmental balance sheet that is as accurate as a financial balance sheet is for the most part a still too distant ideal. For GHG emissions, calculating a company's upstream scope 3 carbon footprint is tantamount to determining the emission factors of all purchased products and services. Emission factors vary from one supplier to another as they chiefly depend on the production and transportation process and the energy mix employed. Calculating and/or collecting emission factors is a resource-intensive task for a company with thousands of suppliers across different countries, businesses and energy sources.

To tackle this challenge, businesses are exploring pragmatic solutions to ensure continuous data improvement while getting suppliers to act. Data computation methodologies involve **striking a balance between generic data**, which is less accurate but quick to obtain (monetary emission factors), **and specific data**, which is more accurate but also more resource-intensive (physical emission factors). For the purposes of rationalisation, the methodology used is usually decided by procurement category, or even by supplier based on the supplier's strategic importance in terms of carbon weight, value of procurement, or data provision maturity.

Generic data is, of course, less discriminating and often of no help in deciding between suppliers. However, monetary emission factors (calculated in kgCO₂e/€) provide an initial approximation of the size of an activity's carbon footprint. Corporates can thus rely on existing global databases, or even sectoral or national repositories (e.g. ADEME's footprint database⁽¹⁶⁾), to obtain a preliminary degree of detail, for example in relation to the national energy mix. A major drawback is that the actions implemented will not change the monetary emissions factor, and could even degrade the footprint in the common situation of more responsible sourcing being more expensive. Emission factors related to a physical metric (tonnage, distance travelled, etc.) can, however, help overcome variations in price-related monetary factors (inflation, pricing strategy, etc.), reduce the risk of double counting emissions, and make tenders from competing suppliers objectively comparable. Their accuracy will be greatest if based on a life cycle analysis of the product or service.

Obtaining this level of detail, however, requires suppliers to cooperate and provide good quality data. To do so, companies usually prefer a **step-by-step approach to data provision requirements**. GHG footprints based on incomplete information or methodologies in need of improvement provide an opportunity to exchange tools and methods on ways of bettering them. This, for example, is the approach adopted by *Caisse des Dépôts et Consignations*, which requires its suppliers to determine their carbon footprint and develop a methodology for calculating it. Accountability makes suppliers aware of the importance of accurate, reliable and relevant data, and helps leverage their decarbonisation efforts. Companies can at the same time continue to develop its own internal tools to carry out the extrapolation exercise on which its incomplete or unsubmitted carbon audits are based.

The issue of "horizontal" collection, i.e. the collection of information on various supplier environmental challenges, exists alongside the issue of "vertical" collection, i.e. tracking and tracing up the value chain to **monitor environmental performance not just of direct suppliers**. Identifying key links in the value chain and their location allows sustainability risks to be mapped more comprehensively, for example as part of corporate due diligence.

A supplier may nevertheless deem the identity of its own suppliers to be strategic information and hesitate to communicate this data to its customers, potentially hindering the objective of value chain transparency and subsequently of upstream environmental footprint measurement. Implementing non-intrusive approaches can be a powerful driver for direct suppliers to embed the approach, raise their awareness and make them actors in value chain engagement. Michelin Group illustrates the potential of such an approach. In making available to its direct suppliers a mobile application for generating questionnaires across the upstream supply chain, the company has managed to scale up CSR risk mapping and identify, in association with its value chain, targeted actions to be undertaken upstream. The same applies to BIC Group, which has relied on a trusted third party and available documentation to initiate discussions with its direct suppliers.

16 <https://base-empreinte.ademe.fr>



Improving procurement’s carbon footprint measurement

Since 2013, *Caisse des Dépôts et Consignations* has been regularly calculating and disclosing the carbon footprint of its internal operations (excluding investments). Measuring the carbon impact of purchased goods and services is a major challenge for public institutions and many other organisations. The traditional method of sectoral monetary ratios is inaccurate and fails to identify relevant drivers of action towards a low-carbon pathway.

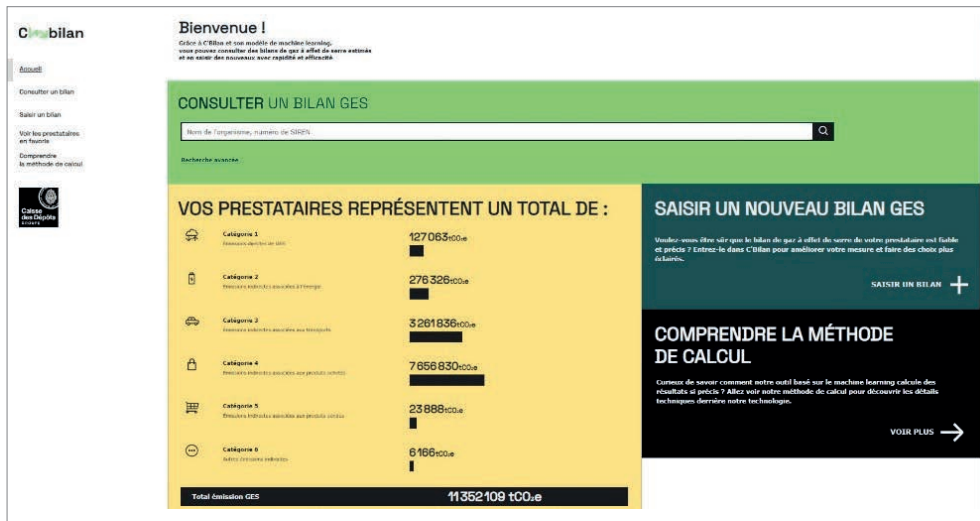
To address this issue, CDC has adopted two complementary and vastly improved methods to measure procurement-related greenhouse gas emissions. In 2024, the conversion rate to these methods among the 120 suppliers surveyed was 60%.

- the **refined methodology** is based on life cycle analysis of the service to measure related greenhouse gas (GHG) emissions. This approach, which is more accurate than the simplified method, is particularly relevant for services such as waste collection, catering and freight. However, it takes longer to implement and requires more resources;

- the **simplified method** uses the supplier’s carbon footprint to establish a carbon intensity ratio to sales. This method, although less accurate than LCA, is easier to implement. Despite an increase in the number of carbon audits in France, their quality is often poor. Indeed, at times they cover only 10% of actual emissions, making it impossible to compare suppliers.

Under the simplified method, CDC has developed the C’Footprint (“C’Bilan” in French) tool to plug gaps in carbon audits. The tool uses a machine learning model to estimate the missing emissions in a GHG emissions audit based on ADEME data. This improves the reliability of carbon audits and makes for more accurate comparisons between suppliers.

The use of these two methods along with the C’Footprint tool has enabled the public institution to significantly improve the accuracy of the carbon footprint metrics of its procurement. As a result, drivers of action identified as relevant to reducing GHG emissions will be tested and deployed under the third-generation SPASER.



Overview of the C’FOOTPRINT tool.



Creating and collecting environmental data at scale through standardisation

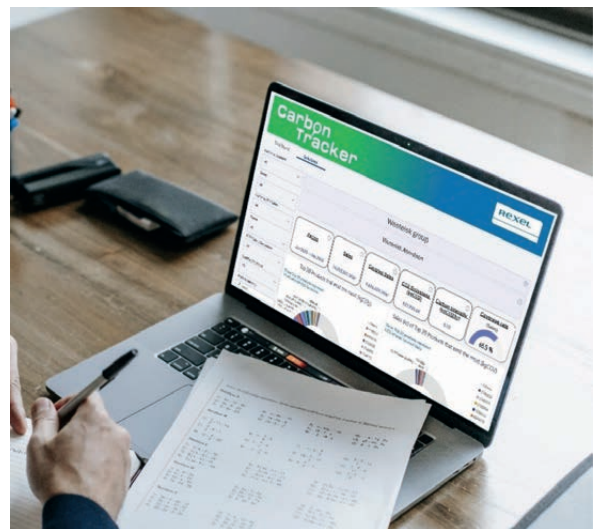
From reporting procurement-related CO₂ emissions and selecting the most eco-efficient products to supporting calls for tender with integrated environmental criteria, Rexel's customer needs are changing significantly, making environmental information for electrical products a new criterion in procurement decisions. The group responds to new demands through solutions such as Carbon Tracker, a customer CO₂ emissions display at its webshop, the sustainable selection proposal and an EcoScore.

While such environmental information has long been considered optional, it is now pivotal for sales operations and has been integrated with other product-related technical and business data. The information is therefore treated in the same way as the other metrics, with similar quality requirements and similar supplier data collection and management processes. Buyers and data managers have a central role in making environmental value proposals to customers and suppliers.

To obtain high-quality environmental data, the group turned to Product Environmental Profiles (PEPs). These factsheets describe the environmental impacts of products based on verified life cycle analyses (LCAs) as well as PEP ecopassport® standards, in line with international norms (in particular, ISO14025 and EN50693). While such data has existed for fifteen or so years, it is difficult for the group to exploit and for customers to understand. Rexel began working with its most advanced suppliers in 2021 to standardise the transfer of such data. To introduce the subject, the group collected information on the needs expressed by its customers and shared the services it sought to deliver (in particular Carbon Tracker and EcoScore). The next step was to form a common approach in the sector. A format for exchanging environmental data based on the industry's usual standards was proposed by Rexel and amended by some of its suppliers.

Once it had been stabilised, the data exchange format was shared via Coedis (an organisation of professional distributors of electrical equipment and solutions, HVAC and plumbing) with all distributors, and then via IGNES (a manufacturers' alliance offering electrical and digital solutions for buildings) with manufacturers. While this format has yet to be adopted as the industry standard, it has facilitated significant progress towards integrating carbon data in the French standard model FabDis and initiated thinking at international level by eliciting interest from ETIM International.

In matters of procurement, buyers and product data managers have been made aware of PEPs. They can now raise the issue with their supplier contacts and encourage them to develop PEPs for their products. Meanwhile, Rexel France has signed a partnership agreement with the start-up Qweeko which enables manufacturers to streamline the production of high-quality PEPs.



PEPs are used to populate the Carbon Tracker tool for Rexel customers

Collecting supplier data primarily reflects in-house willingness to refine materiality analysis as a starting point in target setting, but it also addresses the issue of integrating suppliers into the transition process. It is principally about engaging them in action, and not just about getting fair value environmental impact measurements, which will be very time consuming for them.

As well as providing more accurate environmental reporting for customers, the data offers objective indicators to define new supplier requirements. These can then be integrated into supplier contracts or global roadmaps, depending on the approach adopted to engage suppliers in the green transition. This is the subject of the next chapter.



RubberWay, the risk mapping and value chain engagement tool

To understand and mitigate CSR risks in its natural rubber supply chain, Michelin Group systematically uses risk assessment tools and approaches. One of them is the RubberWay risk mapping tool.

Developed in-house in 2017, it uses a mobile application to map environmental and social risks in the supply chain. The various players (raw material processing plants, intermediaries, large plantations and village planters) are asked about their practices on the following themes: human rights, environment, agricultural training and business transparency.

The data collected is analysed and summarised on an Internet platform. The mapping undertaken highlights areas of social and environmental risk. The results are shared with Michelin's direct suppliers and can be used to prepare progress plans or implement risk mitigation projects in a collaborative fashion.

Michelin asks its suppliers to roll out the tool at their production facilities and direct suppliers as a first step. However, the approach is most interesting at planter level. Given their very high numbers (about 6 million worldwide), the group seeks to ensure that sufficient numbers participate in mapping to make the exercise representative of planter practices. In 2022, the right level of representation was achieved for 58% of purchased rubber volumes. The target for 2025 has been set at 80%.

The tool allows risk to be identified, analysed and prioritised in a supplier-specific or geographically-specific manner. The group engages with its suppliers, while seizing opportunities to tackle risks directly on the ground in priority locations.

A good example of the tool's impact is the CASCADE project (Committed Actions for Smallholder Capacity Development) in Sumatra, Indonesia, which aims to improve the working conditions and standard of living of 1,000 village farmers and their families and enhance environmental and social practices. The four-year project was developed on the basis of RubberWay results. This is the first natural rubber project that encompasses the entire supply chain from village planters and partners to a natural rubber processor, a tire manufacturer and a carmaker.

In 2019, RubberWay entered into a joint venture with Continental AG and SMAG (a software solutions company) to turn the tool into an independent solution accessible to all natural rubber users. In 2023, five tire manufacturers used the tool, thus helping to accelerate responsible practices in the natural rubber industry. The app is now used in 10 countries across Africa, Asia and South America.



Planter collecting rubber sap
© Michelin



Addressing the challenge of supply chain transparency

To better assess the sustainability of its supply chain and mitigate the risks of unsustainable sourcing, the group conducted an in-depth survey of its raw material supply chain. Between 2019 and 2023, the first-phase survey focused on the metal and mining industries.

The purpose of the survey was to:

- identify the supply sources (metal extraction areas) linked to the group's supply chain;
- identify BIC suppliers across its various supply chains (key tier 2 and above suppliers of the group's direct suppliers).

As two different methodologies were used by service providers, depending on their expertise, two surveys were carried out.

- A first provider arranged consultations with each supplier tier up the supply chain. All information exchanged was covered by a confidentiality agreement, with suppliers being involved from the start of the process, supported throughout the investigation and informed of the survey's results. Only consolidated results were reported to BIC. The results, however, proved inconclusive as providers shared little information beyond tier 2 (see simplified results below). An alternative study was therefore initiated.
- A second provider then carried out an independent examination of import and export flows and other public records.

One or more hypothetical raw material supply chains were built and assumptions made about tier 2 and above. The results were communicated to the group, which

asked its tier 1 suppliers to confirm and comment on their supply chain results. Following the second survey, although suppliers were unwilling to confirm all the information collected by identifying their potential suppliers down to the mines, the company was able to lead the discussion and question its Tier 1 suppliers (unlike the first survey based on their goodwill).

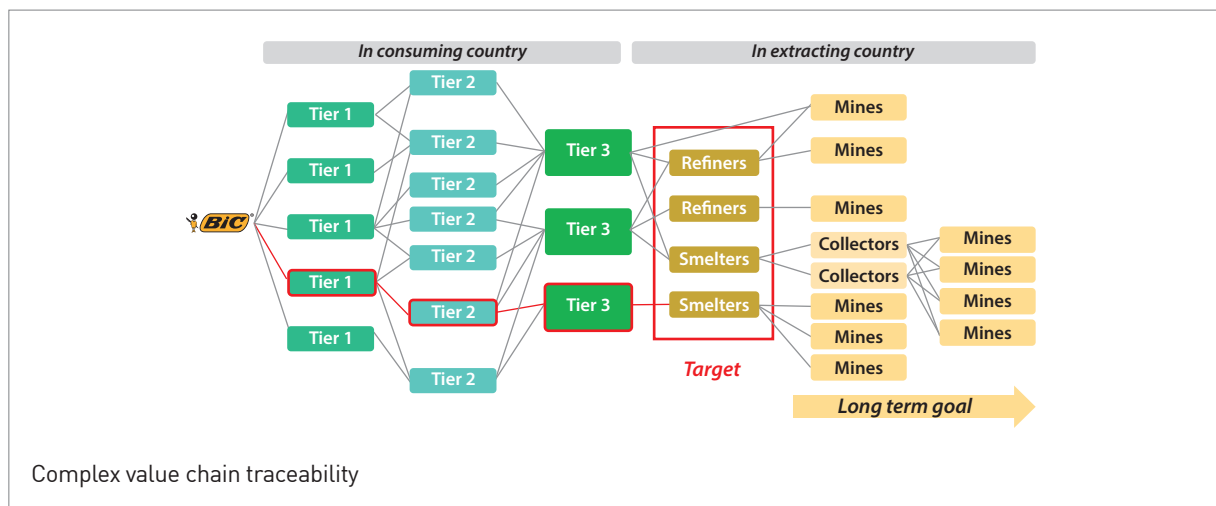
Several obstacles to the disclosure of additional information persist:

- suppliers have partial information about their supply chain and are unable to provide a complete picture;
- they have information but do not wish to share it with BIC or any third party.

The supplier may see this as a competitive advantage or fear that the customer will bypass it and contact the source, thus excluding it from the transaction.

Survey costs are high and the methodology cannot be easily replicated. Whenever the supply chain changes, the survey has to be restarted and refunded. Data from public sources is sometimes six months old and by the time the report is submitted the supply chain could have undergone changes. Due to the relative opacity of key supplier contracts, ESG risks in the supply chain cannot be fully identified.

Regardless of where the information on raw material sources down to the mine comes from, the only way to encourage transparency among suppliers is to continue to work closely with them. The company can achieve much more if its message is fact-based, but must stress its intention to cooperate for the purpose of attaining common sustainability and risk mitigation goals.



3

Incentivising and supporting supplier environmental performance

Generating a ripple effect strong enough to meet corporate environmental targets and ensure that the entire supplier ecosystem is effectively engaged in the process is a multifaceted challenge. On the one hand, the ecosystem may have thousands or even tens of thousands of direct suppliers of various sizes and geographical origins, spread across dozens of different procurement categories. On the other, customers may be confronted with a lack of supplier knowledge, skills or resources to cater to their expectations.

Faced with the scale and complexity of the challenge, the traditional buyer-supplier relationship, underpinned by its power relations, is no longer fit for supporting this transformation. In fact, it is not uncommon to observe a reversal of the relationship, with the supplier holding the product or service in high demand (such as low-carbon steel) now having the upper hand. Businesses are developing a range of collaborative tools to maximise impact while managing the resources committed. The procurement function is usually the backbone of this process, integrating supplier ecosystems and ensuring that suppliers remain a source of proposals. Three complementary approaches are identified and presented here: contractual engagement, long-term support for supplier's overall activity, and cooperation between customers.

1 Using the contractual framework to engage with suppliers

The integration of environmental issues into supplier practices can be undertaken from **the tendering stage** by means of dedicated selection criteria. However, if the criteria are too demanding, a large proportion of suppliers risk being eliminated from the process due to lack of maturity on the issue.

To prevent this risk, businesses generally seek to adopt an approach combining **phased requirements, visibility over changing needs**, and sometimes application of elimination thresholds. One practice, for example, involves applying a first-tier requirement from the outset for purely informational purposes (and therefore not included in the tender's evaluation) over a "blank" year, and then putting this requirement into effect the following year and indicating the next tier of thresholds expected in the future.

It is also common to target some procurement categories perceived as being more mature in order to establish an environmental assessment proof of concept prior to broader deployment. Ultimately, the buyer can "pick its battles", limiting assessment to a few criteria identified as a priority so as not to discourage suppliers from answering a call for tenders.

After the selection stage, contract finalisation and business review are also an opportunity for engaging, discussing and following up with the supplier on these

issues and for translating the supplier's objectives into contractual clauses. Environmental issues are, in this connection, given the same priority as the time-cost-quality triangle and include supplier engagement throughout the relationship.

Contractual clauses offer various engagement possibilities that can subsequently be checked during business reviews. They can be reinforced by penalty mechanisms in the event of failure to meet the target during contract execution, but also by bonuses when the target in question is surpassed. Their level of ambition can be set according to the assessed maturity of suppliers across their sector:

- commitment to a science-based environmental footprint reduction pathway (e.g. commitment to the Science-Based Target initiative for decarbonisation) with deadline;
- commitment to define a transition plan identifying implementation drivers with deadline;
- commitment to regular environmental risk assessments (e.g. water stress risks or deterioration of water discharge quality);
- commitment to share results and progress;
- commitment to provide environmental data using an auditable methodology (e.g. GHG footprint);

- commitment to obtain environmental certification, with deadline;
- commitment to achieve a certain level of environmental performance for the sold product or service (e.g. percentage of recycled material, reduction of water consumption per unit of product);
- etc.^[17].

Not just clauses but **the very format of contracts** may need to change. Contract terms could be extended with set prices to offer better returns on supplier investments. This would help improve the environmental performance of their tenders. Similarly, the search for circularity and sufficiency in the use of resources would lead to the development of new business models founded on the commitment to return used products at the end of their life, replace a delivered product with a service, adopt pooling practices, etc.^[18].



Funding new generation capacity to supply carbon-free electricity

Société Générale has committed to buy renewable electricity to power its stock of buildings in France. In 2020, 100% of the electricity consumed by the group's French building stock was based on direct contracts covered by guarantees of origin. In 2019, the group underscored its continued commitment by signing a first 3-year CPPA^[1] (Corporate Power Purchase Agreement) with an existing wind farm for the supply of 27 GWh/year in France from 2021 onwards. It signed a second 2-year CPPA in July 2021 with another existing French wind farm for the supply of 19 GWh/year wind energy to its branch network in France from 2022.

The group's purchasing and real estate departments as well as its French network of bank branches wished to continue with this approach by entering into a greenfield CPPA (concerning a new power plant), for an average term of 20 years. The aim was to cover a proportion of electricity supplies from renewable sources in France from 2026. The photovoltaic power plant commissioned under this long-term greenfield commitment at Arpheilles in the Cher region is developed, financed, built and operated by JP Energie Environnement, a CPPA co-contractor with Société Générale. Electricity generated by the plant, due to come on-stream in 2025, is expected to cover 10%-15% of the annual consumption of the bank's central departments and networks in France, i.e. an estimated 16.7 GWh of energy per year.

This initiative will decarbonise the group's activity in a more meaningful way than mere guarantee of origin purchases by supporting the development of new renewable energy production capacity in France. In terms of supply, it will protect against market volatility and increase the reliability of budgetary forecasts by setting a long-term electricity purchase price and diversifying supply sources in a market marked by severe supply chain pressures.

For the producer JP Energie Environnement, the CPPA offers tangible benefits as well in the form of a sound counterpart providing financing under good terms, secure investment with long-term selling price visibility, and market diversification (invitations to tender from the state and private customers).

1 A CPPA is a contract enabling a consumer to meet part of its requirements by purchasing green electricity from a producer supplying energy from a renewable source (wind, solar, hydro) with price visibility for the entire contract period.

17 Many sample environmental clauses are available on <https://chancerylaneproject.org/climate-clauses/>.

18 N. Tréhan & IVALUA (2023). Économie circulaire : ouvrir de nouvelles voies grâce à la fonction achats.

The customer can subsequently rely on **business reviews** to monitor successful environmental performance over time. A business review can be a special opportunity to discuss and raise awareness as well, not just a simple exercise to monitor supplier performance. Indeed, supplier commitment, for instance to an environmental footprint reduction pathway, does not mean

that a commitment of this nature has already been made in all tenders. The business review provides an opportunity to accelerate supplier ownership of environmental issues in a bottom-up manner (from buyer’s sales representative to management).

2 Taking the long view: support to partnership

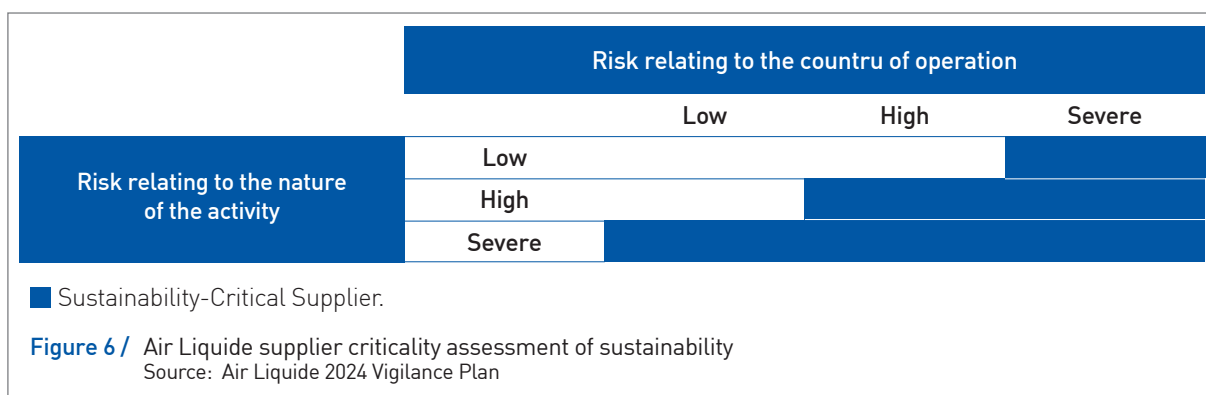
Simultaneously, companies are seeking to develop strategies encouraging their suppliers to **engage on a global environmental approach** that goes beyond traditional commercial and contractual arrangements. The task of the customer, therefore, is that of defining environmental objectives in terms of support measures and actions to be implemented by suppliers. This approach combines long-term performance with reduction of procurement, reputational, and regulatory risks, among others.

Companies usually start by **mapping** their suppliers, ranking them according to their procurement weighting and environmental footprint. Depending on the issue under review, the footprint is assessed quantitatively (roughly estimated GHG emissions for “big ticket items” based on monetary emission factors) and/or qualitatively (risk mapping as part of due diligence).

For suppliers identified as critical, **it is possible to form special discussion groups** aimed at improving their environmental performance, with appraisal and monitoring functions integrated into scorecards¹⁹. As seen above, the customer can set an engagement target for its most critical suppliers as part of an auditable pathway. Discussion-based programmes could cover awareness raising, training and joint roadmap development.

For this purpose, **audits** are widely used for appraisals, backed by an action plan if necessary. Generally speaking, a preliminary audit in the form of a document survey is performed to identify suppliers at risk. This may then be followed by an on-site audit to assess actual practices and identify the areas in which progress will be expected and monitored over time.

The device of a **due diligence** plan usually helps to effectively organise and coordinate the aforementioned actions. For example, Air Liquide Group has performed a sustainable criticality analysis of all its suppliers on whom its annual spend exceeds €200K. The group used risk criteria related to the nature of the supplier’s business (weighting defined by procurement category) and its country of operations (based on public indicators such as the Environmental Performance Index) to rank suppliers (see Figure 6). In 2023, 1.076 suppliers were identified as being most exposed to sustainability risk. They were then offered a risk assessment questionnaire on an external platform, or by Air Liquide teams if the supplier refused to take up the first option. Those whose score was too low were asked to put in place a corrective action plan with the support of the responsible procurement teams.



19 Overall supplier performance tracking sheets

In addition to strategic and/or critical suppliers, it is in the customer's interest to embed its ecosystem in environmental issues on a wider scale without, however, mobilising the same resources as for the minority of strategic suppliers. To meet this challenge, companies can draw on a range of tools:

- **Annual supplier day event**, in person or through videoconference, dedicated to environmental issues, or the inclusion of those issues in an existing event. An event of this kind can usually kick-start a process, with awards for suppliers recording the best environmental performance or having taken the best initiatives. It can also connect the ecosystem to solution providers. The presence of purchasing managers at group level, or even senior management, sends a strong signal to the ecosystem about the importance of environmental issues and defines expectations in this regard;
- **Digital platform**. This tool is useful to engage with suppliers regardless of their maturity on the issue by providing them with online training (e.g. on Sustainable Development Goals, GHG emissions scope), resources (emissions calculation tools), or spaces for peer-to-peer experience sharing;
- **Workshops** with a fairly small number of suppliers from the same sector to identify common action drivers more quickly. The workshops can draw on third-party or public schemes, such as ADEME's ACT programmes which cover both climate change mitigation and adaptation;
- Environmental **certification** support. LVMH Group, for example, implements water management certification programmes to engage with suppliers of wine, cotton, leather and cashmere, offering them training and financing the cost of their first certification^[20].

AIR FRANCE KLM

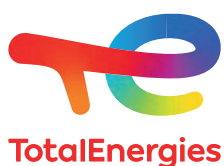
Responsible procurement: cross-functional support services for buyers to foster constructive partnerships with suppliers

Air France-KLM Group has put in place a wide range of supplier engagement mechanisms on environmental issues, and more broadly CSR, of a mandatory or voluntary nature:

- **CSR assessment criteria in tender evaluation process**: a rating matrix of CSR criteria is made available to buyers to help them with their ratings scorecards. These are generic and may be used across all areas of procurement. There are specific scorecards as well for some airport activities.
- **Code of Conduct**: mandatory signature of document during the contracting phase. In 2022, 79% of Air France suppliers had signed the code of conduct against a target of 75%.
- **Annual STPA forum** (protected and adapted work sector) where suppliers can present their innovations.
- **Mandatory EcoVadis assessment** for contracted suppliers deemed "at risk" and/or "critical". All suppliers in fact are strongly encouraged to obtain this assessment. In case no level is required, an action plan is jointly implemented and monitored with the supplier. The target in 2023 was to engage 392 suppliers. The actual number is 431. For suppliers unwilling to participate, an escalation process of constructive exchanges has been put in place.
- **Carbon emissions**: in 2023, about 100 suppliers were invited for assessment under the Carbon Disclosure Project (CDP). An in-depth analysis of the results is under way to define the next steps.
- **Establishment of a supplier information portal** providing access to all group resources and commitments, including Air France ACT^[1].

1 <https://procurement.airfranceklm.com/procurement>.

20 CDP 2023, Ibid.



Assessing and engaging suppliers on continuous improvement

TotalEnergies has identified 1.300 priority suppliers in terms of sustainable development who account for nearly 60% of spend. Of this number, 500 were selected for the importance of their commercial relations with the group (size of procurement spend, lack of substitutability, etc.), and 800 for the risks they pose to human rights and/or the environment because of the sector of activity and country in which they operate. The company has set itself the goal of assessing all 1.300 suppliers by the end of 2025 through document and/or on-site audits. In 2023, 37% of priority suppliers had been assessed. The audit framework used covers social and human rights issues as well as environmental issues such as biodiversity protection, responsible use of water and natural resources, the fight against pollution, and climate-related issues. This approach tracks improvements made by suppliers especially in terms of environmental management, water management and waste storage.

The company moreover encourages its main suppliers to reduce their emissions and aims to ensure that 90% of the 400 highest emission suppliers have adopted reduction targets for their scopes 1 and 2 emissions by 2025 (70% having done so by late 2023). Suppliers who responded that they have adopted emission reduction targets are monitored regularly. Those who have not adopted emission reduction targets are also monitored by the company and have been asked to submit an action plan ensuring that they adopt these targets by 2025.

From 2024, TotalEnergies has been strengthening its climate commitment initiative by supporting suppliers via the CDP Supply Chain programme. This new support structure will allow the least mature suppliers to access expertise enabling them to measure, define and monitor reduction targets.



Launching the low-carbon pilot scheme in collaboration with the ADEME ACT project

To meet its SBTi scope 3 reduction target of 27.5% over the 2019-2030 period, Aéroports de Paris S.A. has developed a decarbonisation action plan for its supply chain based on three drivers: (1) optimising carbon performance of tenders, (2) engaging its supplier ecosystem on decarbonisation, (3) promoting cross-border initiatives for airports and regions, including on carbon-free mobility.

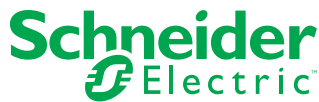
The second driver consists in providing long-term support within a tighter framework of cooperation with the group's 100 suppliers accounting for 80% of procurement emissions. The TOP 100 scheme was rolled out in late 2023, with a first wave of top ten engagements in 2024. Ten representative suppliers from the infrastructure and construction industries and the facility management services sector (cleaning, security, safety) will participate with the group in a decarbonisation pilot programme as part of the ADEME ACT (Accelerate Climate Transition⁽¹⁾) initiative.

ACT provides an international climate recognition and accountability framework which brings added value to supplier efforts and strengthens the credibility of their commitments. It will help these companies define and implement their climate strategy in line with their level of maturity.

Collective exchanges are also planned for the companies engaged to discuss the difficulties they face, share their best practices and provide feedback to all Top 100 members.

In addition to this initiative, smaller group suppliers are being encouraged to join the *Pacte PME Alliance for SME decarbonisation and energy transition*.

¹ <https://actinitiative.org/>



“Zero Carbon Project”: engagement of over 1.000 suppliers on decarbonising their activities

In 2021, Schneider Electric embarked on an ambitious decarbonisation programme involving over 1.000 suppliers with the goal of cutting their operational emissions by 50%.

At the start of the programme, more than 70% of suppliers did not know how to calculate GHG emissions. More than 66% are SMEs with capacity and resource limitations. A 3-step framework is in place to guide the supplier journey:

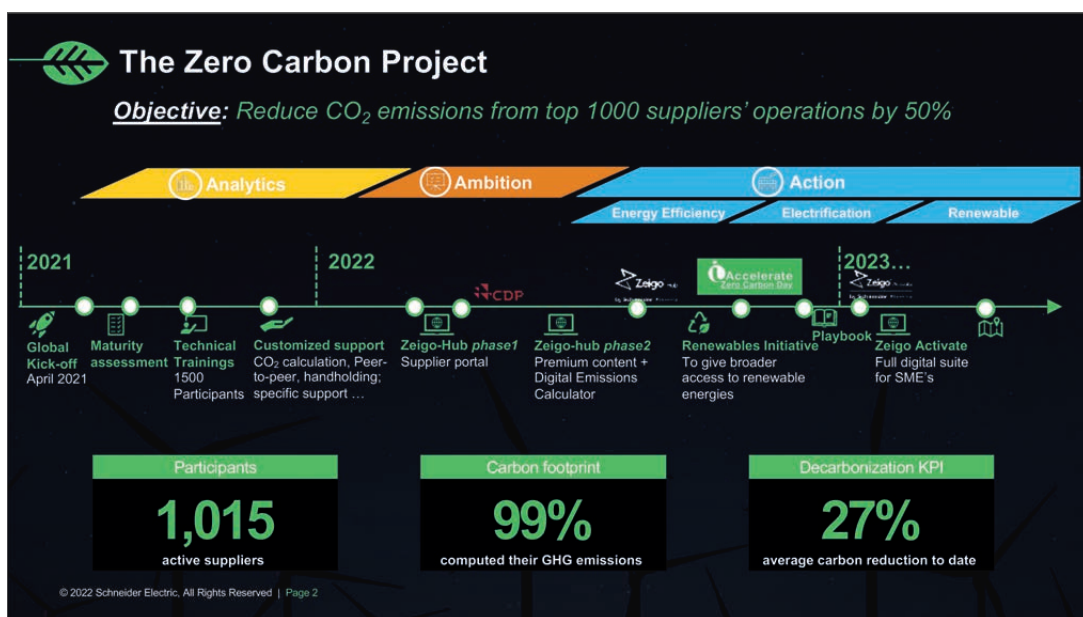
1. **Analysis:** quantification of GHG emissions. In 2022, over 100 supplier training sessions were conducted and a digital emissions calculator developed to automate GHG calculation. The training covered practical insights on topics such as governance, boundary definition, data/sources, emission factors and calculation steps. To ensure information availability, a dedicated web portal “Zeigo-Hub” has been created.
2. **Ambition:** identifying emission reduction actions and potential. Schneider Electric has deployed the following actions and tools:
 - a. a decarbonisation manual listing more than 80 decarbonisation actions;
 - b. a factory “self-assessment” diagnostic tool that identifies energy efficiency measures. Additional diagnostic tools are available for specific cases,

including a solar calculator that assesses the relevance of on-site solar energy development, and an energy efficiency audit mechanism for use in the plastics industry;

c. since the majority of suppliers are SMEs with low consumption levels, the group launched the Supply Chain Renewable Initiative to raise awareness, create supplier cohorts, and competitively access renewable energy market solutions ((virtual) Power Purchase Agreements, Energy Attribute Certificates, etc.).

3. **Action:** the group has put in place governance and follow-up arrangements as closely as possible to suppliers. It holds regular meetings with each supplier decarbonisation days and workshops in each region or country, webinars and, if necessary, dedicated support sessions. Regional “iAccelerate - Zero Carbon days” workshops have been set up to link suppliers with decarbonisation experts and solution providers. Our regional focus ensures that locally relevant and more workable solutions are presented

At end-2023, our support actions helped maintain 1.015 suppliers active in the “Zero Carbon Project”, with 99.9% calculating their own carbon footprint (against 212 in January 2022) and cutting their operational emissions by 27% on average (against 1% in January 2022).



Where the purchased product or service creates a high environmental footprint which is difficult to reduce, support can be provided under full-fledged **joint solutions development or co-investment partnership** projects for risk sharing purposes.

In this case, green procurement solutions could include financing carbon-free energy supplies to supplier production lines and/or transport fleets. They could also include relocating plant facilities, or even developing an industrial project from scratch, through a shareholding in an ad hoc structure or as part of a vertical integra-

tion process. The sectors concerned would be those that are difficult to decarbonise (e.g. steel or cement manufacture) or those in need of reorganisation or reinforcement (e.g. recycling materials, biomaterials and raw materials from sustainable agriculture). For instance, Air France Group has invested in a sustainable aviation fuel plant project and concluded a long-term fuel procurement agreement^[21]. Forvia and Engie form part a consortium that has invested more than two billion euros in a project to produce carbon-free steel, led by the start-up GravitHy^[22].

LVMH

Offering suppliers an action programme that supports them in the environmental transition



The “**Global proximity**” programme, launched in 2017, illustrates LVMH Group’s determination, embodied by Moët Hennessy, to encourage its key suppliers to move closer to its production sites in the Champagne and Cognac regions, Scotland and Argentina so as to reduce the impact of transport. Thanks to this approach, 46 partners have joined the programme, saving more than 10.900 tonnes of CO₂ equivalent since 2019, or 1% of Moët Hennessy’s scope 3 emissions. These outcomes have occurred largely as a result of the reappropriation of logistics flows, driven by significant local investment in the establishment of new manufacturing facilities and mutual development. The initiative’s benefits, in addition to alignment with the group’s greenhouse gas emissions reduction target, include greater agility thanks to a local economic footprint and improved procurement performance. Moët Hennessy has been able to develop local know-how, improve the quality of the customer-supplier relationship and adopt a really pragmatic approach where commercial, environmental and social interests converge.

Continuing with its aim of putting its partners at the heart of this transition, in December 2023 LVMH Group launched the LIFE 360 Business Partners Programme, a new pillar of **LIFE 360**^[1] designed to support key suppliers in meeting climate, biodiversity and water targets. One of the main planks of this programme is to offer them tailored technical assistance (training, regulatory monitoring, data collection tools, etc.).

The **Supplier Code of Conduct**^[2], redefined and deployed in 2022, embodies Group requirements with regard to its partners and their subcontractors in various areas: social responsibility and respect for human rights, respect for the environment, and integrity in the conduct of business. The code requires Group partners to commit to respecting its principles and to ensuring that their own subcontractors and suppliers do the same in the exercise of their activities for the Group.

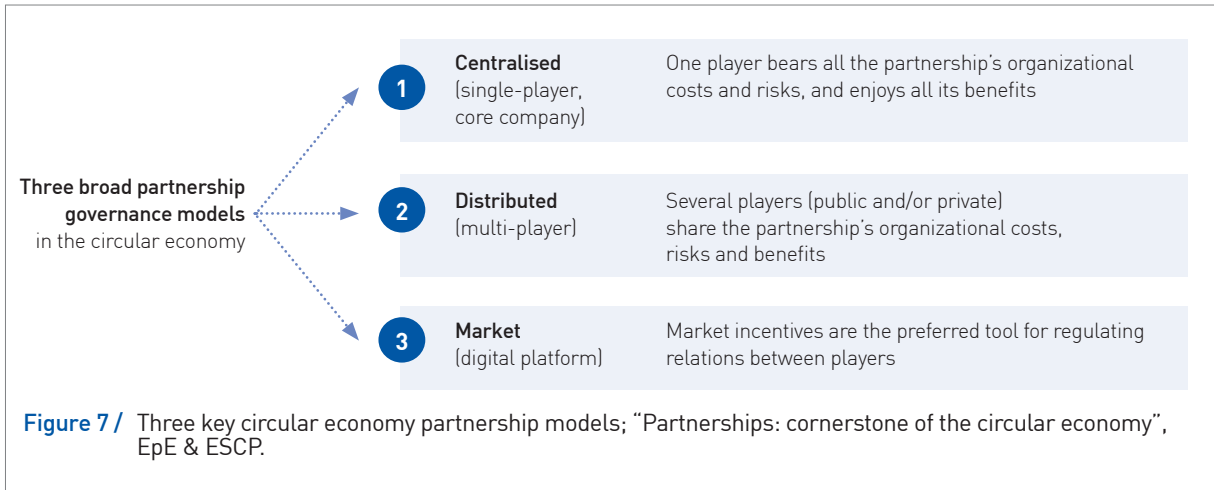
- 1 LIFE 360 – <https://www.lvmh.fr/actualites-documents/actualites/life-360-retour-sur-les-engagements-2023>.
- 2 LVMH CSR report 2023 – page 30.

21 Air France-KLM (2023). Air France-KLM confirms its strategic cooperation with DG fuels by investing in a SAF plant in the United States.

22 Engie (2022). GravitHy, the first decarbonised iron and steel plant.

This partnership approach is especially relevant in the context of the **circular economy** which, by definition, involves at least two stakeholders (a supplier and a user). The various partnership and governance schemes

studied in the EpE-ESCP publication “Partnerships: cornerstone of the circular economy”⁽²³⁾ can be adapted to any new supply chain structure (see Figure 7).



Forvia exemplifies the use of diverse styles combining a centralised approach for its subsidiary Materi’Act and a distributed approach for the start-up Gravithy. SNCF Group has gone so far as to become its own supplier of

ballast (gravel backfill for railway tracks). By organising a recycling and reuse industry, the group unites environmental and economic performance.

23 EpE/ESCP (2021). Partnerships: cornerstone of the circular economy.



Sustainable, local and profitable procurement through the circular economy

At SNCF Group’s purchasing department, the Valora division has over the years supported all the company’s business departments in contracting circular economy solutions based on two key tasks: hazardous waste treatment and recovery, and recycling products and materials at the end of their life or at the end of their SNCF service life for reinforcement, reuse, or recovery. The department develops material preparation contracts for the reuse of materials internally in a “short loop”, particularly with regard to steel rails, copper cables and ballast.

A major component of railway tracks, ballast is an ore extensively used by SNCF Réseau. It takes an average of 2 tonnes of ore per metre of railway track to guarantee stable traffic. When a railway track is renewed, it is also necessary to renew the ballast for each kilometre of regenerated track. Every year, about 1.000 km of track are regenerated, work that often requires one-kilometre-long factory trains and about 2 million tonnes of ballast a year.

Until recently, the ballast used was reprocessed directly on the railway track, but this method permitted only 30% of the removed aggregate to be subsequently reused. The major innovation in the last two years has been platform-based reprocessing near the site.

Launched two years ago, this circular ballast recovery project has already yielded early benefits:

- up to 72% of ballast has been put back on tracks at some sites;
- a regional industrial ecology centre has been set up with partners in Lille to recover co-products derived from ballast treatment;
- greenhouse gas emissions and transport costs have been reduced thanks to the “100% local” approach;
- ballast reprocessing costs are now lower than the cost of buying new ballast thanks to collaboration with an SME;
- the sifting and washing facilities treated more than 280.000 tonnes of ballast in 2023 with near zero-waste equipment. Products that do not meet particle size fraction and quality requirements are recovered for road construction.

A research and development clause has been introduced to foster partnership and innovation and improve reuse performance. The partnership is jointly financed by both parties.

The group’s objective is to put 25% of reused ballast back into the rail network every year by 2025, i.e. about 500.000 tonnes of ballast. This means less natural extraction by the same amount, more water savings and fewer carbon emissions. Going much further, an innovation project will allow “small ballast” to be approved for branch lines to improve reuse performance.

3 Engaging with indirect suppliers

Engaging with indirect suppliers – suppliers of suppliers – on green transition issues is even more challenging for customers than is the case for environmental data. For Kering Group, whose upstream value chain generates the bulk of its environmental footprint, the commitment of raw material producers is particularly significant. In this connection, the group has developed a programme that pools the resources and skills of

internal teams with those of direct and indirect suppliers. This approach offers several joint benefits in terms of knowledge and value chain engagement. In particular, procurement volumes derived from sustainable sectors are secured by the end customer. This example illustrates the leverage effect exerted by aligning internal organisation, environmental performance monitoring and supplier engagement.

K E R I N G



Supporting transition through the Regenerative Fund for Nature

The upstream supply chain accounts for almost two thirds of the environmental impact of the fashion industry. For a luxury group like Kering, it means having to go up the entire value chain to the production and extraction of raw materials and putting in place solutions to reduce their impact. To do so, track and trace work has been going on for over ten years.

It forms part of the group's biodiversity strategy, which includes the goal of converting one million hectares of farms and pastures in the fashion sector's supply chains into regenerative farming areas three times the size of the indirect land surface needed for producing all the group's brands. To achieve this transformation, Kering and the NGO Conservation International launched the Regenerative Fund for Nature in 2021, after six months of collaborative work on devising the fund's policies. While it is today one of the main causes of biodiversity loss and climate change, by transforming itself, agriculture can also be part of the solution.

The fund supports breeders and farmers producing the four key raw materials for fashion and luxury wear (leather, wool, cashmere, cotton) in their changeover to regenerative practices by stewarding the transition period (3-5 years) during which agricultural yields are lower. The business model should be such that farmers and breeders are later accompanied by investment funds not donations.

The suppliers selected for support were prioritised according to the regeneration potential of their area, which was assessed by the NGO. Seven initial projects were selected in 2021 covering an area of 840.000 hectares. After a year implementing and consolidating

the methodology, it was decided to open the fund to other fashion players. As Kering was joined by Inditex, a new call for projects was launched in late 2023 to support a dozen additional projects.

Sourcing from these projects changes the method of procurement, because the focus is no longer on buying finished material but on building an industry that engages the entire value chain and works to longer timescales (discussions with producers several months prior to delivery of finished materials). Kering's Material Innovation Lab, opened at Milan in 2013, connects home buyers, fabric suppliers in Italy, and project partners. It ensures full traceability in the sector and rules out possible intermediaries with low added value. The group calculates the environmental impact reduction of these "regenerative" materials compared to "conventional" materials.



Breeding of Quercy farm lambs whose wool is used by Kering.
©Epiterre (Jérôme Morel)

4 Cooperating between customers to enhance efficiency

Purchasers can have common suppliers, whether on account of sectoral or geographical proximity, raw materials across several value chains or indirect purchases (car fleets, office supplies, IT systems, intellectual services, etc.). To effectively engage with their suppliers, it may be appropriate to adopt a **collective approach**, especially regarding “no-regret” and pre-competitive actions that can be undertaken regardless of supplier. A collective approach also has the advantage of harmonising practices and tools, pooling resources between customers and influencing supplier actions more effectively:

- engagement: dissemination of a common message to raise awareness of environmental issues, and commitment to purchase product and service quantities with high environmental performance to support investment;

- implementation: supplier training on specific green transition topics (science-based decarbonisation pathways, environmental footprint metrics, green electricity procurement contracts), access to project co-financing;
- measurement: sharing supplier assessment and audit outcomes, preparing questionnaires, sharing emission factors.

To this end, various **sectoral initiatives** are regularly launched, including Together for Sustainability for chemicals, Energize for the pharmaceutical industry, Catalyze for semiconductors and the International Aerospace Environmental Group for aviation.

ARKEMA

Together for Sustainability, a sectoral initiative for chemicals

Arkema actively collaborates with its peers on the Together for Sustainability (TFS) initiative. TFS is helping to transform the global chemicals supply chain by integrating environmental, social and ethical criteria. Conducted globally, it fosters close collaboration in the field between purchasers and suppliers to reduce GHG emissions, promote fairness and minimise impacts on the environment.

Under TFS, Arkema assesses its suppliers on criteria such as CO₂ emissions, environmental footprint, working conditions and business ethics. The assessments are carried out in a transparent and objective manner, allowing suppliers to better understand the group’s expectations and continuously improve their environmental performance. The aim is to raise awareness and jointly enhance everyone’s efforts without blocking the way for suppliers who face their own constraints.

For this purpose, four key indicators are monitored monthly under the initiative by its members:

- number of valid assessments on the EcoVadis platform. Assessments are deemed valid if the score is above 45, and remain valid for 3 years. To date, nearly 2.000 group suppliers and subcontractors have been assessed;
- new scorecards, or reassessments made during a calendar year. “New” scorecards are those issued

to companies for the first time. “Reassessed” scorecards refer to companies that have already been assessed;

- percentage of companies that have improved their overall score through reassessment during the year. Some 60% of companies have improved their CSR rating;
- share of procurement spend on relevant suppliers, i.e. those covered by a TFS assessment. To continue its efforts in the field of responsible procurement, the group has set itself a strategic target of sourcing 80% of its procurement from relevant TFS-assessed suppliers by 2025.



The TFS 2023 supplier training scheme brought together more than 200 participants for the 14th China Petroleum and Chemical International Conference ©Together for Sustainability



Working with competitors to engage common suppliers

70% of Sanofi Group's CO₂ emissions come from suppliers, especially direct purchases (raw materials and packaging).

The concentration of the pharmaceutical sector creates many situations where competing customers have common suppliers. Such a landscape offers companies the opportunity to relay a common message to their suppliers aimed at accelerating their commitment to the green transition. The group has helped launch several sectoral initiatives to harmonise practices among competing customers and provide training to promote supplier engagement. Simultaneously, working groups are developing standardised information gathering tools:

- **Pharmaceutical Supply Chain Initiative:** introduction of common standards to harmonise processes. Members have jointly drawn up a scope 3 assessment grid to measure suppliers' maturity level.
- **Sustainable Markets Initiative – Healthcare Taskforce:** a taskforce to remove the barriers to decarbonisation in the upstream value chain, for

example by developing common life cycle analysis methods for pharmaceutical products and exploring green heating processes.

- **Activate Programme:** a work programme undertaken with suppliers of active pharmaceutical ingredients (APIs) enabling the health sector to reduce its environmental impact. Sanofi engages 44 suppliers from 66 sites accounting for over 25% of its supplier emissions under this programme.
- **Energize Programme:** information programme for suppliers, which provides advice and access to renewable energy procurement opportunities.

These initiatives are aimed at developing multiple support mechanisms according to supplier profile and maturity. They therefore constitute a forum for ongoing dialogue between suppliers and Sanofi representatives (buyers as well as HSE teams). The 2024 objective is to extend the Supplier Engagement Programme to other procurement categories.



Construisons ensemble un avenir de confiance

A sectoral approach to collectively engage with suppliers

Thales Group opts for collective initiatives to facilitate supplier engagement on environmental issues.

In collaboration with a dozen companies in the sector (Airbus, Boeing, CAE, Howmet Aerospace, Leonardo, Raytheon Technologies, Rolls-Royce, etc.), the group has implemented a common ESG supplier assessment solution via the IAEG (International Aerospace Environmental Group) initiative. The purpose is to have a common recognised reference system for assessing and supporting suppliers on environmental issues and respect for human and labour rights, thereby contributing to corporate due diligence.

Assessments are based on a questionnaire sent to direct suppliers that includes questions on the existence of an environmental strategy (GHG emissions, water,

waste, renewable energies, circular economy, etc.), internal environmental performance management, tier 2 suppliers, and risk management.

In 2023, the group also engaged with the Pacte PME alliance (see dedicated box below). In this connection, Thales set the pace in early 2024 with a first decarbonisation workshop focused on the manufacture of metal parts. After a presentation of the issues at stake for its business and the potential drivers of action, collective sessions in sub-groups were held to identify and prioritise decarbonisation actions undertaken by Thales and more than forty SMEs. Further sectoral, state-supported workshops will be conducted during 2024 to strengthen decarbonisation-related links between customers, suppliers, and public and private stakeholders.

While the sectoral approach is relevant for sectors where the value chain is concentrated around large suppliers, it may be less suited to an **ecosystem of VSEs and SMEs**. To meet the specific support needs of these companies, customers rely on trusted third parties, non-governmental organisations or government-supported bodies. The role of the latter is to organise the supplier journey by calling on customers as well as external experts. There are several French and international initiatives including:

- SME Climate Hub;
- UN Global Compact – Network France;
- ADEME ACT programme;
- Pacte PME.

One such initiative, Pacte PME (SME Alliance), is engaging companies in the green transition. It received the backing of EpE in December 2023^[24] on the occasion of the publication Milestone 2030 of the green transition (ETE 2030)^[25].



A coalition of major corporates to speed up the decarbonisation of French SMEs

François Perret, Managing Director

Eight months following its setting up in July 2023, announced by Olivia Grégoire, Minister for SMEs, the Pacte PME alliance for the decarbonisation and energy transition of businesses has got under way in earnest.

With ten major corporates now officially on board (Aéroports de Paris, Bouygues Construction, Crédit Agricole, EDF, ENGIE, Orano, Naval Group, Sanofi, Schneider Electric and Thales), including seven EpE members, the alliance has been fully operational since January.

In adapting to the initial maturity levels of French SMEs, it allows these businesses and midcap companies to put themselves if they wish on a complete decarbonisation pathway, including support for the performance of carbon audits, the implementation of an action plan, and the development of suitable technological solutions to reduce their GHG emissions.

Sixty companies are already formally involved in the scheme. Many more have had the opportunity to participate in a decarbonisation workshop, entirely free of charge, and to identify in less than half a day the drivers for reducing their sector-specific emissions. A third workshop open to service companies will be conducted shortly following in the footsteps of the first two editions dedicated to steel and construction respectively.

Pacte PME invites all member companies to join this initiative if they wish, and so become part of a movement that will benefit hundreds of companies across all sectors from 2024.

<https://pactepme.org/nos-activites/alliance-decarbonation/>.



Decarbonisation alliance kick-off event in July 2023
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²⁴ <https://www.epe-asso.org/engagements-entreprises-initiatives-collectives/>.

²⁵ <https://www.epe-asso.org/en/2030-milestone-ecological-transition/>.

CONCLUSION

Expanding the responsibilities of procurement

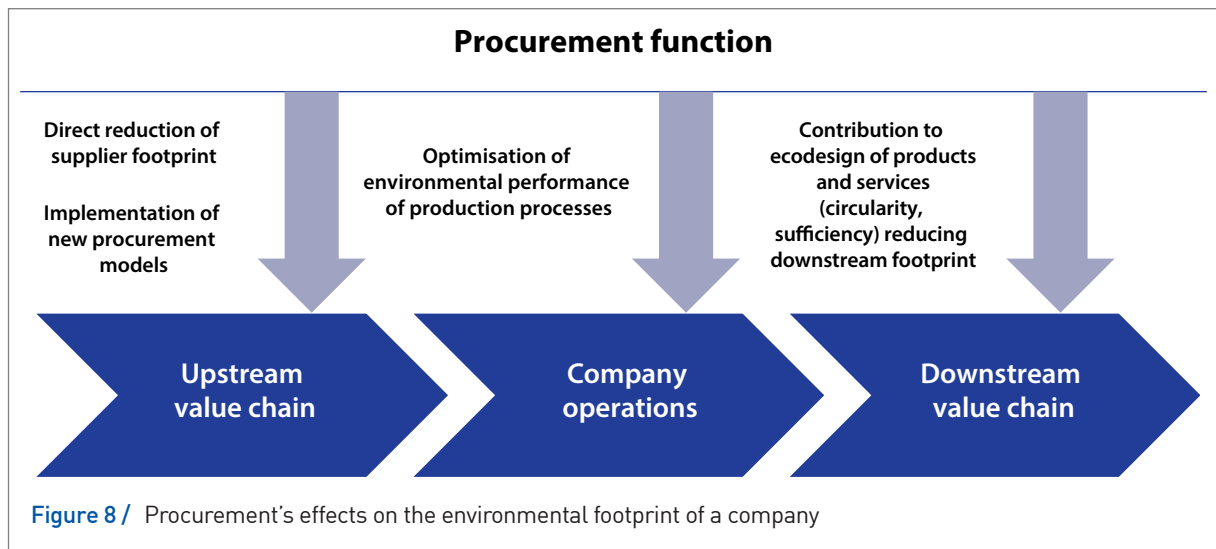
A company's overall environmental performance is closely linked to the environmental performance of its suppliers. The need for transformation offers procurement an opportunity to emancipate itself from its traditional role and create value by:

- reducing environmental impacts across the value chain;
- changing the product portfolio;
- increasing resilience and strengthening supplier relations.

Skills development in this increasingly technical area is reflected in the adoption of a three-pronged cooperative approach both within and outside the company:

- cross-functionality in corporate environmental strategy, and development of sustainable solutions through dialogue with management, internal customers and support services;
- accountability in value chain's environmental performance monitoring and assessment, data control and risk tracking;
- implementation of the "duty to influence"⁽²⁶⁾ the suppliers' ecosystem and greater collaboration on innovations, new supply chains or new business models by working to longer timescales of up to several years.

The rise of environmental issues in procurement activities influences the whole corporate value chain (see Figure 8).



26 As defined by ISO 26000 (on corporate social responsibility) and ISO 20400 (on responsible procurement) norms.

The examples described in this publication primarily illustrate the strong actions taken by EpE companies to experiment with and implement practices that generate concrete environmental gains. These practices are closely associated with the search for pragmatic solutions in the face of complex issues that require continuous learning and responses to the operational needs of internal teams and suppliers. The approaches explored reveal new **technical, relational and organisational challenges**, some of which are already visible in this overview:

- **internal alignment** of corporate stakeholders with impact reduction targets and creation of an ad hoc organisation;
- introduction, into the organisational practices of purchasing departments and suppliers, of a **systemic environmental approach** that is not solely focused on decarbonisation but factors in the interdependence between climate change mitigation, adaptation, biodiversity, water, soil, pollution and limited available resources;
- **scaling of supplier data collection** to ensure traceability, quality and auditability, while preserving data relevance and adaptability to materiality issues;
- **escalation of requirements** in line with supplier maturity;
- **supplier engagement scaling** from a few hundred to several thousands;
- **structuring of sectoral approaches** that can mobilise various external stakeholders (customers, NGOs, indirect suppliers, etc.) in an operational or expert capacity, in anticipation of future standards.

That is why the green transition of the upstream corporate value chain is a lengthy process whose consequences for environmental issues and stakeholders are growing. However, the potential environmental and economic benefits are commensurate with the effort.

The procurement function continues to reorganise with a view to leveraging all the opportunities for the ecological transformation of society.

26 Au sens des normes ISO 26 000 sur la Responsabilité Sociétale des Entreprises et ISO 20400 sur les Achats responsables.

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Claire Tutenuit

CEO of Entreprises pour l'Environnement

About EpE

The French association Entreprises pour l'Environnement (EpE), set up in 1992, brings together around sixty major French and international companies to share their best practices and work together towards better integrating the environment into their strategies and operations. Its raison d'être - **one planet and a prosperous world** - sums up the resolve of its members to lead their own green transition along with that of society, and to ensure that economic development compatible with planetary boundaries is socially accepted, indeed desired. EpE is the French partner of the World Business Council for Sustainable Development (WBCSD).

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Driving the green transition through procurement

Member companies

